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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



**Healthcare: Boom Or Bust?  
Channel Has Two Views On Reform Initiative**

*By Barbara Jorgensen*

**The First 21st Century Decade**

This past decade zipped by faster than a tweet. It seems like just yesterday that everyone was worried about Y2K and the digital apocalypse. The first decade of the 21st century bore witness to many dramatic and historic events. For the electronic components industry, however, it was more of “the more things change, the more they stay the same!”

Authorized distribution saw much of the “same old, same old”:

- Consolidation, but not quite at the frantic pace that occurred in the last decade of the 20th century.
- The number of broadline distributors continued to decline in favor of specialization and focused product lines.
- Supplier consolidation of the number of authorized distributors.
- Smaller, faster, cheaper, better components find new markets and new applications.

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Healthcare reform is a hot-button issue in the U.S. and may have an impact on companies that do business overseas. Whether healthcare is a boon or a bust for the channel depends on how reform initiatives affect internal business operations as well as the electronics end-market.

The healthcare reform act currently on the table in the U.S. Congress aims to make healthcare coverage accessible to all U.S. residents. How this will be achieved is still under debate, and a mandate that requires businesses to provide healthcare coverage for employees is of particular concern to small companies. Individuals with private healthcare and businesses that currently provide benefits to employees both fear their costs will increase. Overall, the proposal is adding another layer of uncertainty in a U.S. economy that is far from stable.

“As a business, it’s still very unsettled as to how healthcare reform will impact employees,” says Eric Sussman, director for Americas distribution for Molex Inc. Another industry player suggests uncertainty could cause cutbacks in long-term, high-end investment in equipment as insurance providers, hospitals, labs and

research facilities wait to see how their rates and payment plans will be affected. Because the electronics industry tends to be innovative in the healthcare arena, the reform initiative may be harmful if end-markets adopt a “wait and see” attitude.

For the most part, suppliers and distributors look at healthcare reform and medical electronics market as separate issues. “The medical market has been a target market for growth for the past few years as the business is designed in the Americas and stays in the Americas and has a high CAGR,” Sussman points out.

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“It’s still very unsettled as to how healthcare reform will impact employees.”

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## Volume 8 of NEDA Academic Journal Published

The most recent edition of the *Review of the Electronic and Industrial Distribution Industries* was recently published and sent to members.

This edition covers a variety of topics pertinent to the industry: green supply chain management, corporate ethics; corporate technology strategies; and the difference in perceptions of “value activities” between CEOs and their top management teams. It is interesting to note that the papers in this edition address the importance of relationships and their effect on a company - be it a supplier/distributor relationship or a manufacturer/customer. This has been a recurring theme in many of the *Review's* articles over the years- a topic at the very core of the industry.

Each member company receives a complimentary copy of the book. Additional copies may be purchased through the NEDA Website.

### Review of the Electronic and Industrial Distribution Industries

PUBLISHED BY:  
THE NEDA EDUCATION FOUNDATION



## The First 21st Century Decade

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- Internet and inside sales continue to grow as outside sales decline.
- The decade started with an economic bust and ended with an economic bust.

While much stayed the same, the new decade also saw changes that altered the marketplace for authorized distributors of electronic components. Probably the most significant change that altered the landscape for the electronics industry was outsourcing. Outsourcing had a cascading effect that created a whole new list of issues for the industry, many of which the industry is still wrestling with. Outsourcing of production, either directly or indirectly, caused or created these industry issues and trends in the “naught” decade:

- Migration of manufacturing customers to Asia and the significant loss of North American DTAM.
- The rise of contract manufacturing and EMS companies, which generated another set of issues for the industry.
- The growth of design services in the North American market.
- The demand for design services helped to fuel the rise of catalog distributors.
- Demand creation became a huge issue as the industry struggled with how to support (fund) design services.
- Outsourcing and the growth of Asian manufacturing contributed to the emergence of product counterfeiting as a major concern.

The first 21st century decade also witnessed the government spotlight focusing on the industry. Since its inception, the electronics industry has largely avoided being a blip on government’s radar. That changed in this decade as the industry witnessed:

- Government lawsuits/investigations of industry giants Intel, Tyco and Microsoft.
- Environmental regulations such as RoHS, REACH, and recycling.
- Specialty metal content.
- Counterfeit product

That doesn’t include the indirect impact that government will have on the pending legislation that will impact all businesses.

Looking forward to the new decade, the industry will continue to face challenges of the boom/bust economic cycle, increased government regulation, and globalization. NEDA will be there to help members navigate the known and the unknown in the second decade of the 21st century. ■

## Healthcare: Boom Or Bust? Channel Has Two Views On Reform Initiative

By Barbara Jorgensen

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“This has nothing to do with the healthcare initiative going through Congress.”

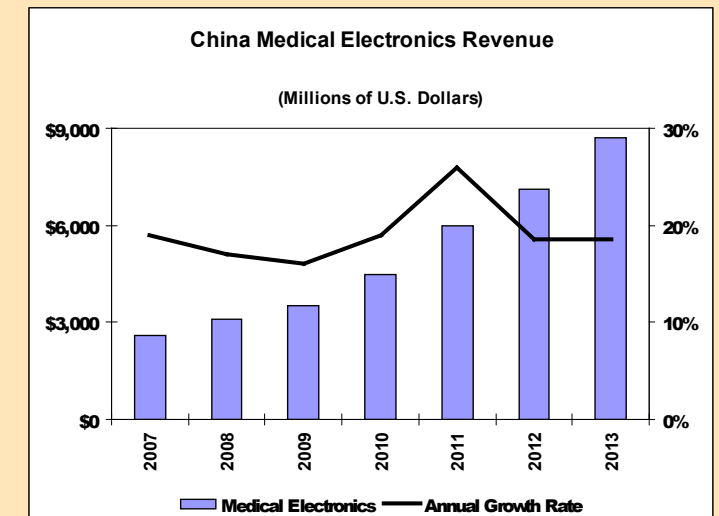
“Regardless of the reforms in healthcare, as the pace of advancements in medical technology accelerates, so does the need for equipment and infrastructure upgrades,” adds Kent Smith, executive vice president of worldwide sales and marketing for Nu Horizons Electronics. “Healthcare facilities are relying more and more on wireless data sharing and communications equipment as well as touch screen displays in mobile applications and a variety of other technologies. The medical instrumentation market segment has been and will continue to be a growth area for the channel and a focus for Nu Horizons.”

Pressure to reduce healthcare costs could encourage spending in some areas. To be more cost-effective and far-reaching, some doctors and hospitals are prescribing medicine and even diagnosing illnesses online, raising questions of Internet security and patient privacy. Even within the four walls of hospitals, there are opportunities to increase efficiency. “IT in healthcare is often a diverse set of ‘islands’ with limited centralized IT buying practices,” Market research group IDG says in a report prepared for Avnet Technology Solutions. “The various units in the healthcare organization operate under different funding rules and have very different needs. Most solutions are designed to address a specific area, and there is little or no interoperability between the systems. Therefore, in addition to understanding the healthcare industry, resellers have to build many relationships to gain traction.”

The U.S. market for healthcare IT was expected to be worth \$4.0 billion in 2009 and should increase to \$9.0 billion in 2014, according to BCC Research—a compound annual growth rate (CAGR) of 17.5%. The software applications segment dominates the market, generating an estimated \$3.4 billion in 2009. This should increase to \$7.2 billion in 2014, for a CAGR of 16.4%. Dedicated hardware is the second largest segment, worth an estimated \$636.8 million in 2009. This should increase to \$1.8 billion in 2014, for a CAGR of 22.9%, according to BCC.

In the components business, OEMs are designing equipment that is smaller, more flexible and requires less power. Portable medical devices are expected to be a high-growth market: because these devices focus on individual customers and small medical

institutions, they require less functionality and accuracy, but more flexibility. Thus, the small size, low weight and minimal power consumption of these portable devices result in very high demand for the products. In the U.S., home medical equipment sales are expected to reach \$8 billion by 2012, according to the Freedonia Group. In China, revenue from sales of portable medical electronics gear was expected to rise by 18.2 percent in 2009 to reach \$3.9 billion, up from \$3.3 billion in 2008, according to market researcher iSuppli Corporation.



Source: www.iSuppli.com

Interestingly, China is undergoing its own healthcare reform initiative: China’s Medical and Health System Reform Regulation, released in April, calls for central and local governments to invest 850 billion RMB—or \$124.1 billion—in the medical and health industries, iSuppli reports. According to the Ministry of Finance of China, about \$81.8 billion will be used to extend social medical insurance, with the remaining \$42.3 billion to be allocated as subsidies to reform hospitals. Among the beneficiaries of this investment: foreign medical device manufacturers of high-end, high-complexity equipment. ■

Barbara Jorgensen



## 2010 Marketing Opportunities

EDN will present exclusive custom marketing opportunities to NEDA member companies. Each special section will examine key elements facing the electronics industry and how these issues affect the business of authorized electronics distribution. The special sections will run in the full circulation of EDN – 125,000 and will receive additional full on-line support.

### Top 25 Electronics Distributors:

Issue Date: April 2010 with additional EDS distribution.

The first of the two special sections will feature the popular annual list of top distributors. The section will also include custom articles focused on industry issues. Advertising is only open to NEDA member companies.

For details, please contact Jim Dempsey, EDN at 440-333-3040 or via e-mail: [jim.dempsey@reedbusiness.com](mailto:jim.dempsey@reedbusiness.com)

## Making Your Plans for EDS? Sponsor Project Host Students

NEDA's Project Host program is recognized throughout university industrial distribution and supply chain curriculums across the country as a premier program. The innovative arrangement pairs top industrial and electronic distribution students from around the country with NEDA member "hosts" at EDS. There is no cost to be a host and you can select the sessions, specific university or the number of students. There are three half-day sessions to choose from: Tuesday Morning, Tuesday Afternoon and Wednesday morning.

As a host, your company will

- Benefit from exposure to prospective employees
- Establish and nurture relationships with students and faculty of leading universities
- Demonstrate industry leadership to both clients and students
- Impress your customers with your generosity to the industry
- Be unique – your appointments will remember that you were the one with those bright students in tow!

Help these universities and their students gain valuable insight into the world of electronic distribution and experience the vitality of the industry during its largest trade show. There are a variety of ways to participate – from serving as a host to sponsoring an exclusive reception or dinner for the students & faculty. Please complete the enclosed form or contact Debbie Conyers: [dconyers@nedassoc.org](mailto:dconyers@nedassoc.org).

## Texas A&M University Team Wins NEDA Research Competition

The NEDA Education Foundation is pleased to announce that the 2009 research study competition for undergraduates in Industrial Distribution programs was won by a team from Texas A&M University.

Congratulations to the team of Tyler Boyd, Carl Gerken, Samir Khoja, Joe Sullivant and Kenneth Adamcik – students of Dr. Malini Natarajathinam. Student teams were asked to research developing green supply chain strategies between manufacturing and distribution. This team compared and contrasted progress in the electronics industry with the chemical distribution industry.

The NEDA Education Foundation brings programs such as the research competition to the campus in an effort to positively influence our next generation workforce, enhance their education and spotlight the benefits of a career in the electronics distribution industry. Congratulations Texas A&M!



Winning team members (left to right) Joe Sullivant, Carl Gerken,

## Post Your Job Openings on the NEDA Industry Career Center

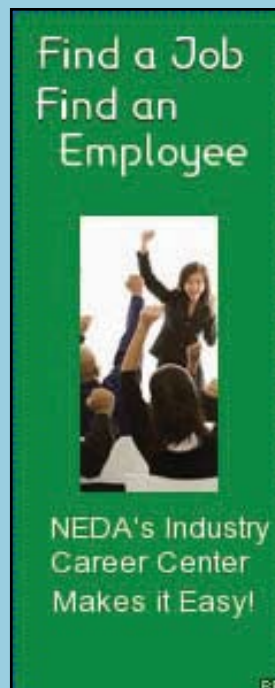
With a focus on electronics industry companies, this service offers our members—and the electronics industry at large—an easy-to-use and highly targeted resource for online employment connections.

The NEDA Industry Career Center is designed for employers in the electronics distribution industry to attract first-rate talent with

a minimum expenditure of time and resources. Both members and non-members can use the NEDA Industry Career Center to reach qualified candidates. Employers can post jobs online, search for qualified candidates based on specific job criteria, and create an online resume agent to email qualified candidates daily. They also benefit from online reporting that provides job activity statistics.

For job seekers, the NEDA Industry Career Center is a free service that provides access to employers and jobs in electronics distribution. In addition to posting their resumes, job seekers can browse and view available jobs based on their criteria and save those jobs for later review if they choose. Job seekers can also create a search agent to provide email notifications of jobs that match their criteria. It can enable smooth career transitions for those seeking electronics distribution jobs.

The NEDA Industry Career Center is accessible at: <http://careercenter.nedassoc.org/>.



## News from the University of Nebraska–Kearney

- The UNK Industrial Distribution program, will hold its Spring Industrial Distribution Career Event on February 9, 10, and 11. Details can be found at [http://www.unkid.org/CareerEvent/career\\_event.html](http://www.unkid.org/CareerEvent/career_event.html). Any NEDA member with an interest in speaking to the students about careers in the component manufacturing and distribution business is always welcome to attend. Contact Debbie Conyers at NEDA.
- The University of Nebraska at Kearney, Industrial Distribution program has 60 students available for internships during the summer of 2010. Contact Ms. Brenda Jochum, Internship Director, at 308-865-8122 or E-mail at [jochumb@unk.edu](mailto:jochumb@unk.edu) for details.

**EDS**  
Where the Electronics Industry Connects

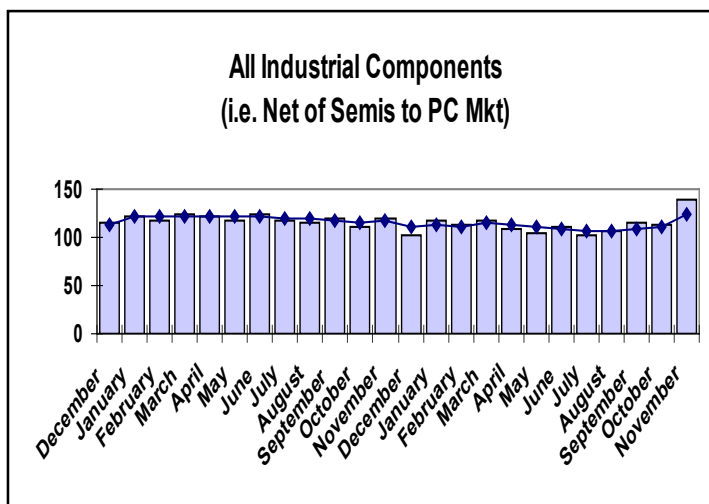
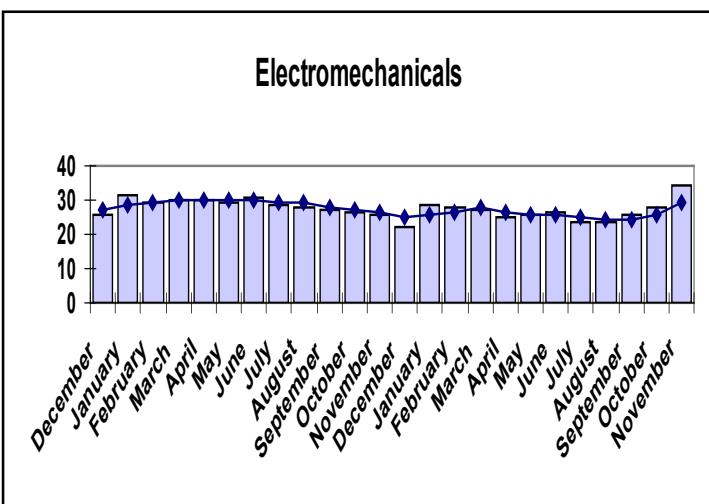
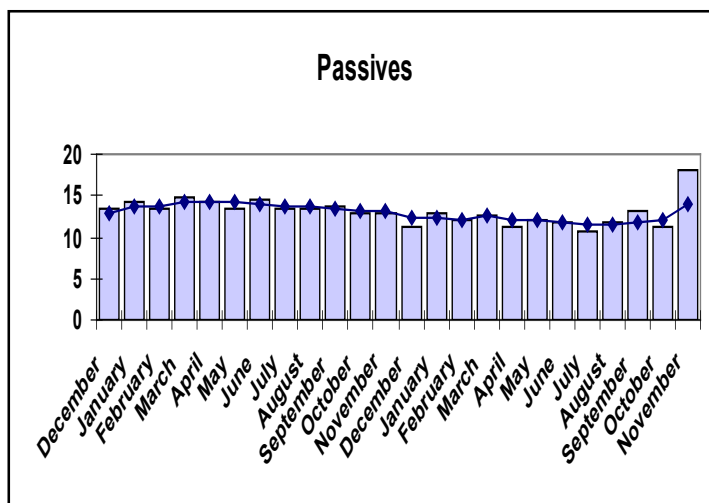
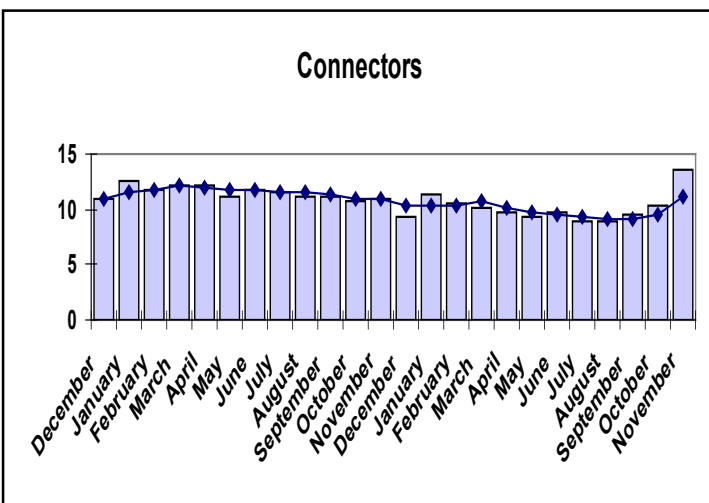
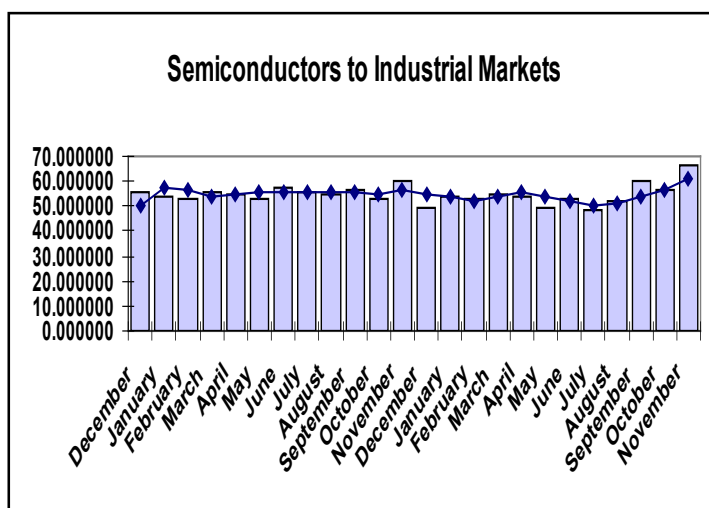
**2010**  
The Right Place  
at the Right Time  
MAY 11-13, 2010  
PARIS/BALLY'S HOTEL COMPLEX  
LAS VEGAS, NEVADA, USA  
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AFDEC Monthly Statistics: Average Daily Sales by Month  
Sales in £k per day; ---- shows 3 month average

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.



### Credit Union Membership—A Valuable NEDA Benefit For Your Employees and Their Families

The banking industry is riding the wave of an uncertain economy. Is your bank safe?

NEDA membership gives you the benefit of free access to one of the nation's largest credit unions, Digital Federal Credit Union (DCU). You can pass the benefits of DCU on to your employees at no cost to you.

Digital Federal Credit Union is a not-for-profit financial cooperative owned by and operated for their members.

DCU was chartered in October of 1979. Since then, it has been chosen as the credit union for more than 700 companies and organizations. DCU serves more than 350,000 members and their families in all 50 states.

DCU is among the top 15 credit unions nationwide. According to Callahan & Associates, a credit union consulting group, of the top 50 largest, DCU has been the fastest growing credit union in America in the last ten years.

Membership begins with as little as a \$5 deposit into a primary savings account. As long as you keep your DCU accounts open, you are a member for life, regardless of where you live or work. Membership is also open to your employee's family members!

DCU prides itself on better rates, fewer fees and more personal service. Among the advantages:

- Free checking account; no minimum, balance or monthly maintenance fees.
- Free Internet PC Branch Home Banking
- Free Bill Payer Service
- Auto, recreational, boat, and motorcycle loans
- Mortgage and home equity loans

For a complete list of what DCU has to offer as well as how to get started, please visit [www.dcu.org](http://www.dcu.org) or contact NEDA for a membership packet.

### Join the 2010 Executive Conference Planning Committee

Do you have ideas on how to make the Executive Conference even better than before? We need your help!

Volunteers are needed to serve on the planning committee for the 2010 Executive Conference. Committee meetings are conducted via conference call over a 2-3 month time span. If you enjoyed the 2009 conference and have great ideas to make our next meeting even more spectacular, volunteer today. Contact Michelle Meyer at 703-583-2970 or via email: [mmeyer@nedassoc.org](mailto:mmeyer@nedassoc.org).

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PH: 678-393-9990 FAX: 678-393-9998 [www.nedassoc.org](http://www.nedassoc.org)



### Upcoming Events: 2010

- March 3-5** NEDA Board of Directors Meeting  
New York, NY
- 7-11** University of Industrial Distribution (UID)  
IUPUI Conference Center  
Indianapolis, IN
- May 11-13** EDS  
Paris Hotel  
Las Vegas, NV
- Oct. 17-19** NEDA Executive Conference  
InterContinental Chicago O'Hare  
Chicago, IL

## 5 reasons CNA is the right insurance partner for your business.

- 1** We understand the technology, wholesale and manufacturing industries and insure a significant share of these markets.
- 2** We provide comprehensive business insurance coverages designed especially for distributors and manufacturers of electronic components.
- 3** We provide Risk Control programs, information and education that can help identify and reduce your loss exposures.
- 4** Our experienced claim adjusters process claims quickly and fairly, control costs, and help injured workers get healthy and return to work sooner.
- 5** Our partnership with NEDA gives us greater insight into the specific needs of distributors of electronic components and their manufacturer-suppliers and more importantly, the coverages and services to help keep your business secure.

We're a great insurance partner.



To find out more about CNA, call your local independent agent, visit [www.cna.com](http://www.cna.com) or call Norman-Spencer at 800-842-3653 x233.