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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



**Look For Gradual Recovery In 2010  
 Lessons Of 2001 Still Fresh**

**Federal Legislation In 2010**

NEDA members will be affected by decisions being made in Washington during the coming months. While healthcare garners the news coverage, there are several other pieces of legislation that are moving through Congress that may impact the electronics industry. These include the organized labor's card check bill, the Administration's lending reform bill and a U.S. version of RoHS.

The Senate and House versions of Federal healthcare have significant differences, but each will impact businesses of all sizes. Here are a few highlights of the ways businesses and individuals will feel the pain:

- Paying for it:
  - > Senate bill—40% tax on insurance policies with premiums in excess of \$8,500 for individuals and \$23,000 for families. The so-called "gold-plated" coverage tax would apply to many executives and business owners. In addition,

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The best thing about 2009, executives in the distribution industry say, is that it's over. Rather than dwell on the year that was, the outlook for 2010, at least during the last week of December, was cautious optimism.

TTI Inc., for example, was seeing a robust Q4 in both North America and Europe. "North America has been amazingly robust in Q4," says Michael Knight, vice president of supplier marketing and product management for TTI Inc. "None of us predicted that Europe would also bounce back, but we are starting to see a rise out of the ashes."

Asia was leading demand growth on a global scale, Harley Feldberg, Avnet Electronics Marketing President, global, told a gathering of Wall St. analysts in late December. Overall, the electronics components market was showing relative supply and demand alignment and pricing power was improving. "Every region is participating in positive growth," Feldberg said. "In particular, there are

good opportunities in Europe in automotive."

Several questions remained unanswered, however, as 2009 closed. Will the growth experienced in Q4 remain sustainable? Distribution executives are pointing to a few things that are keeping their predictions conservative. "Suppliers are not yet rehiring," says Knight. "There are a lot of machines in the fac-

**"The supply chain is normalizing."**

tory running, but not a lot of people being added." Although lead-times were stretching out and there were spot shortages in commodity passives, suppliers are not adding capacity, channel executives say. A DRAM shortage that had been accelerating

until October began to ease in November and December, according to a market report from the DRAMeXchange. "We've all been through this experience before," says Knight. "If there is a dip after the first of the year, we'll think Q4 was seasonal and artificial and there was a bit of restocking after an inventory surge."

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## Federal Legislation In 2010

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there is a payroll tax on income over \$200,000 for individuals and \$250,000 for couples.

> House—bill—5.4% surtax on individuals making more than \$500,000 and \$1 million for couples.

- Employer mandate:

> Senate—Applies to businesses with more than 50 employees that don't provide health insurance.

Must pay \$750 fee per employee if at least one employee gets government subsidy. If businesses offer coverage but have employees qualified for government subsidy, they will be fined \$3,000 for each employee that receives the subsidy.

> House—Applies to businesses with annual payroll above \$500,000. They must provide coverage and pay 72.5% of individual and 65% of family premiums or pay a penalty of up to 8% of payroll. Businesses under \$500,000 are exempt.

- Individual mandate:

> Senate—Must have insurance or face fine of \$750.

> House—Must have insurance or pay penalty of 2.5% of income. Limits contributions to flexible spending accounts.

The "Consumer Financial Protection Agency Act," H.R. 3126, would create a massive new government agency to regulate lending practices. While the bill's stated purpose is to protect consumers, it will also affect businesses, particularly small companies that use consumer financial products to supplement business lines of

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## Look For Gradual Recovery In 2010 Lessons Of 2001 Still Fresh

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Still, the operating word for 2010 is "recovery" rather than "recession." Avnet shared some of its data with analysts in late December: The 2010 global electronics total available market (TAM) served is forecast at \$232 billion. Semiconductor market estimates for 2010-2012 show a 10.4% CAGR (based on data from the Semiconductor Industry Association/WSTS). The IT market is expected to grow 4.0% for the same period (based on data from Gartner). The early part of the recovery will be led by consumer applications, Avnet predicts, and industrial demand appears to be rising. The price environment is stabilizing; lead-times are extending and inventory is being built conservatively.



Roy Vallee, Avnet, Inc.

After suffering two major recessions in less than a decade, says Avnet CEO Roy Vallee, "The supply chain is normalizing."

The market segments that are expected to be most robust haven't changed much from Q3 (see Catching the Next Wave, EDN, Nov. 11, 2009 or <http://www.edn.com/contents/images/EDN110609NEDA.pdf>). Medical equipment will continue to drive growth in electronics, particularly in North America. "There are more electronics in medical and there is still a lot of room for that to grow," says Knight.

Shop floor controls are starting to come back, distributors say, and "the smart meter business is starting to explode," says Knight. "Anything that 'hangs off' the power grid will be huge."



Michael Knight, TTI, Inc.

But don't look for a massive capacity surge or inventory build-up any time soon. After the boom-bust cycle of 2000/2001, all signs point to a slow and gradual recovery. Feldberg says Avnet EM hasn't seen any sign that customers are double-ordering or buffering stock that may be in short supply. This is a positive sign—"we are not seeing anybody shoveling inventory in the channel to pad revenue," Feldberg says.

"There's no mad scramble to burn inventory not a lot of overcapacity," concurs Knight. "We think that [factories] may have cut too deeply and demand is exceeding capacity, but that will be added back gradually."

"We all learned our lesson from the prior recession," he adds. "It will be a long time before we see another technology bubble." ■



Barbara Jorgensen

## 2009 NEDA Business Barometer

The 2009 NEDA Business Barometer survey reflects a stagnant economy. The survey gauges distributor performance over the past year, current business conditions, and confidence in company performance one year from now. Of the companies participating in the 2009 survey, 71% were under \$300 Million in sales and 77% of companies identified themselves as either Global or National (a large increase from previous years).

Interestingly, 59% of companies reported this year as average to excellent. Distributors are a little more optimistic about the future with only 24% expecting 2010 to be below average.

Surprisingly, with 59% of companies reporting this year as average to excellent, 82% of companies reported a decrease in sales.

Current business conditions as compared to past years were analyzed by sector. The following table is a summary of the reporting company's business activity.

Sector	2006 Business Activity	2007 Business Activity	2008 Business Activity	2009 Business Activity
Semiconductors	100% same or increase	84% same or increase	66% same or increase	50% slight decrease
Interconnect Products	93% same or increase	93% same or increase	35% same or increase	60% same or increase
Passive and Electromechanical	100% same or increase	86% same or increase	40% same or increase	57% same or increase
MRO	100% same or increase	75% same or increase	40% same or increase	100% decrease
Test, Measurement and Control	100% same or increase	100% same or increase	25% same or increase	100% same or increase

All but the semiconductors and test and measurement reported large decreases.

The chart below compares current conditions for the past 5 surveys.

Current Business Condition Comparison					
	2005	2006	2007	2008	2009
Excellent	17%	23%	0%	0%	18%
Above Average	17%	50%	50%	18%	29%
Average	50%	18%	44%	18%	12%
Below Average	17%	9%	6%	65%	29%
Bad	0%	0%	0%	0%	12%

In 2008, 42% of companies expected an average to above average year in 2009 while in actuality 59% of companies reported an average to above average year. The chart below shows most companies are optimistic about 2010.

	2007 Current Business Conditions vs. Future		2008 Current Business Conditions vs. Future		2009 Current Business Conditions vs. Future	
	Current	Future	Current	Future	Current	Future
Excellent	0%	0%	0%	0%	18%	6%
Above Average	50%	63%	18%	18%	29%	41%
Average	44%	37%	18%	24%	12%	29%
Below Average	6%	0%	65%	47%	29%	24%
Bad	0%	0%	0%	12%	12%	12%

## Federal Legislation In 2010

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credit and short-term capital needs. There is enough vagueness in this legislation that it could also apply to any business lending credit to customers. Since distributors are often "banks" for their customers, this legislation could have far-reaching implications for the electronics industry.

While out of the limelight, organized labor's push for enactment of legislation to facilitate unionizing efforts remains on the active Congressional legislative docket. Expect a renewed push to pass this bill once healthcare is settled.

Finally, H.R. 2420, a bill to amend the Toxic Substances Control Act of 1976 and referred to as the "Environmental Design of Electrical Equipment Act" was introduced earlier this year. The measure would establish a U.S. version of the European Union's "Restriction of Hazardous Substances" (RoHS). However, there are a number of differences, primarily in the number and scope of exemptions. Many of these exemptions are for electronic components. The proposed legislation prevents state law from regulating these exemptions with respect to the named hazardous substances. Of note, lead solders may be used in a number of electronic components.

That is a quick summary of a few things that NEDA members may look forward to in the way of Federal legislation in 2010. The descriptions are broad-based and may not cover exceptions or limits.

NEDA will continue to monitor the legislation and keep members informed. The association encourages members to actively communicate your views on these matters to its Congressional delegation. ■

## 2010 EDS - The Right Place at the Right Time May 11 - 13, 2010

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.

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. This year, to give you more of what you find most valuable at EDS, face-to-face interaction, the conference has evolved its programming to offer more networking and meeting opportunities.

EDS encourages active participation from manufacturers, reps and distributors to generate the results you've come to expect. When participants arrive with pre-arranged meetings and packed schedules, the EDS experience is guaranteed to be a successful one.

If you're expecting flat sales for 2010, come to EDS and raise your expectations as well as your forecasts. Companies are predicting increased revenues for next year. These same companies will be at EDS 2010. It's the right place at the right time for you to join them and accelerate your recovery and growth. Visit the web site for more information: [www.edsconnects.com](http://www.edsconnects.com)

### SCHEDULE

Monday, May 10

- All Day — Suite and Conference Room Set Up
- 5:00 p.m. to 6:30 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.

Wednesday, May

- NEW! Joint NEDA-ERA Breakfast
- 9:00 a.m. to 5:00 p.m.
- Exhibit Floor portion of Meeting Hall Open.

Thursday, May 13

- 9:00 a.m. to 12:30 p.m.
- Exhibit Floor portion of Meeting Hall Open.

### CURRENT 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](http://www.parislasvegas.com).

The rates below are the current rates for EDS. The hotel may reduce the weekday rates as we enter 2010. If you book your room now, your rates will automatically be reduced to the lowest convention rates offered. Paris/Bally's has committed to EDS competitive rates for comparable properties.

Paris Hotel: \$175/night (Single or Double)

(888) 266-5687, (702) 946-7000

Bally's Hotel: \$141/night (Single or Double)

(800) 634-3434, (702) 967-4111

### In Remembrance: Don Burton, Arrow Electronics

NEDA extends its condolences to the family, friends and former colleagues of Don Burton, a former executive of Arrow Electronics. Don passed away on Dec. 30 at the age of 72.

During his tenure at Arrow as corporate vice president of quality and engineering, he was responsible for the construction of many Arrow distribution centers around the world. He achieved the first ISO 9000 quality certification in our industry in 1990. Don was also active in NEDA and participated in many components roundtable and task force meetings. He accomplished breakthrough achievements in product handling and packaging within the industry.

In lieu of flowers, memorials may be sent to the East Tennessee Technology Access Center, 4918 N. Broadway, Knoxville, TN 37918, or a charity of your choice.

## Ray Hall Spirit Of ERA Award Presented To Kathie Cahill

The Electronics Representatives Association (ERA) has announced that Kathie Cahill, CPMR, president of Net Sales Company of Victor, N.Y., is the recipient of the 2009 Ray Hall Spirit of ERA Award. Ray Hall and ERA President Bob Walsh, CPMR, presented the award during the association's 75th Anniversary Party, held in conjunction with the ERA's recent 44th national conference.

Cahill was nominated for the award by Empire State ERA and is that chapter's immediate past president and current delegate to the ERA Board of Directors. She has served on the ERA Conference Committee since 2006 and chaired the 2009 Conference, held in the Chicago suburb of Oak Brook, Ill., in October.

The Ray Hall Spirit of ERA Award was established in 2004 to honor the retiring CEO who had served ERA for 40+ years. Hall asked that the award recognize individuals who exemplify the spirit of ERA through their commitment to serving and advancing the professional field sales (manufacturers' representative) function.

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[www.netcomponents.com](http://www.netcomponents.com)

## 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 be running 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)

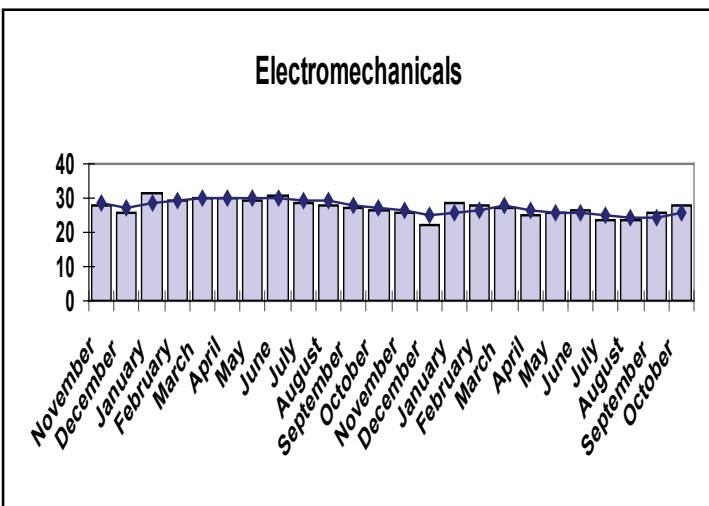
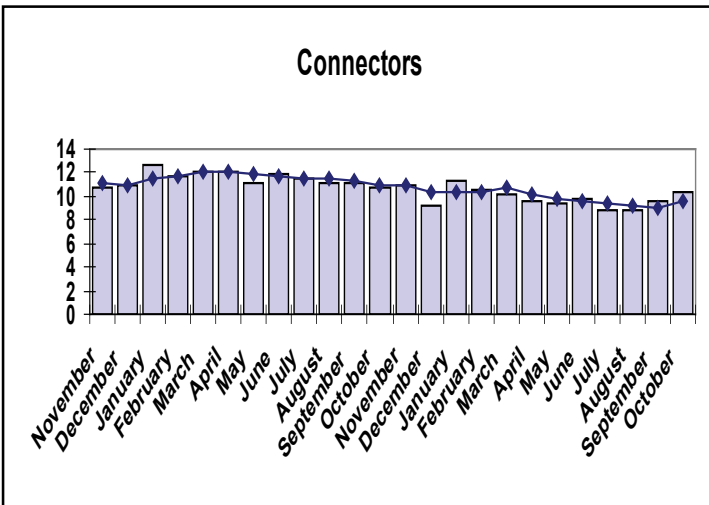
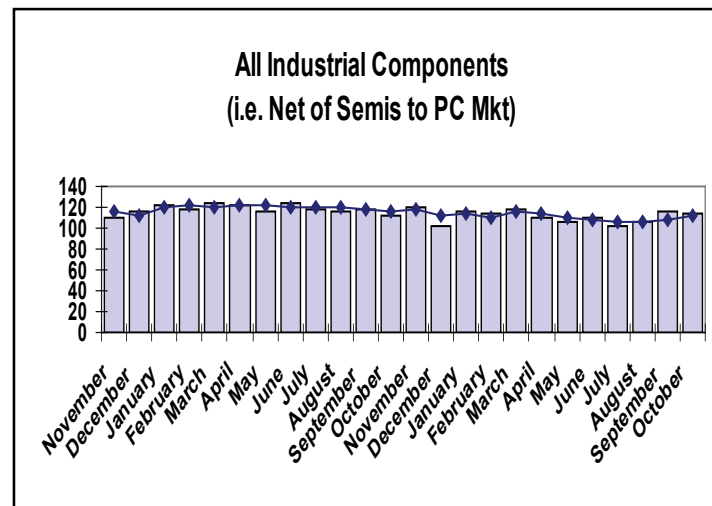
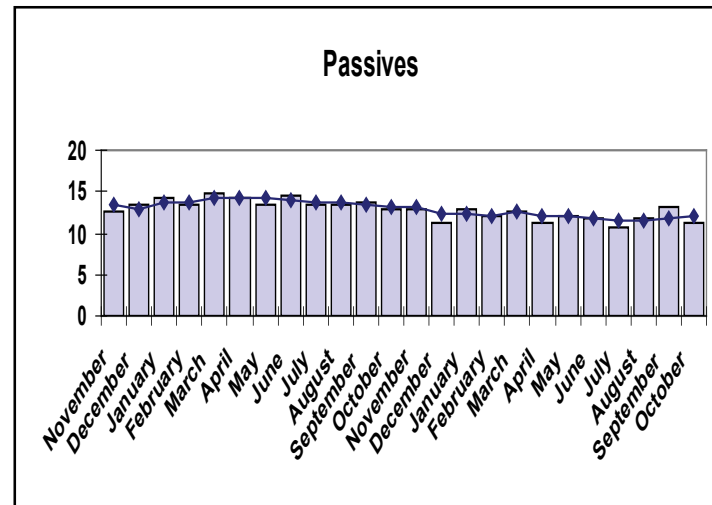
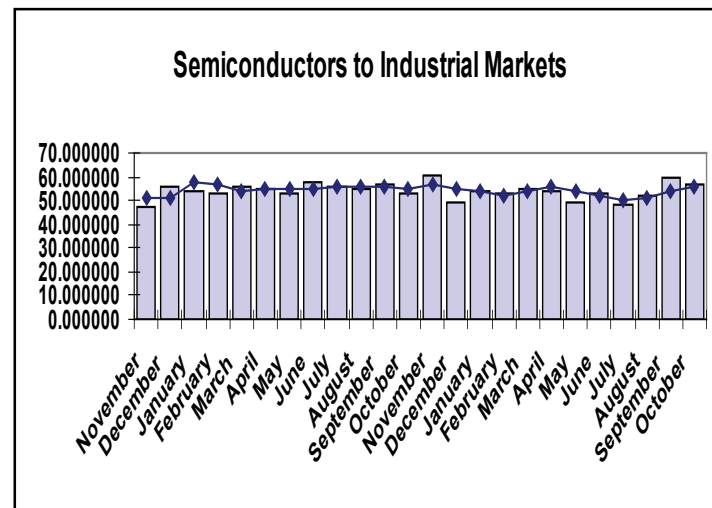
## 2010 Executive Conference Planning Committee

Volunteers are needed to serve on the planning committee for the 2010 Executive Conference. Committee meetings are conducted via conference call. 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). We need your help to make this conference the best one yet!

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.



## NEDA Advocacy Campaign to Resume Full Force - Please Join the Effort

NEDA's commitment to support and promote the value of the supplier authorized electronics distribution channel will ramp up this year. Members are being asked to voluntarily contribute to this renewed campaign.

Back in 2001, the threat of independent internet brokers loomed and the economic downturn in the industry brought the threat of an increase of these unauthorized operators. To thwart that attack, NEDA launched an advocacy campaign aimed at touting the advantages of supplier authorized distribution. The industry survived and, in fact, was thriving until the most recent US economic turmoil.

Now in 2010, the threat of counterfeit product is even more significant. With more sophisticated technology comes even more advanced imitations. Counterfeit electronic components cost industry as much as \$100 billion per year. Faulty, fake components that often pass initial tests are boldly making their way into consumer, medical and even military products. The possibility of disastrous consequences is frightening.

NEDA is committed to supporting and promoting the value of the supplier authorized electronic distribution channel. The industry advocacy campaign provides a platform to collectively promote this value and increase the industry's appreciation of supplier authorized distribution. We bring to light those underlying principles that are the basis for the authorized distribution network: genuine parts from legitimate suppliers with the screening, traceability and warranty support that customers demand.

We will once again conduct a marketing and public relations campaign to tout the benefits of authorized distribution. We need your assistance. You will soon receive information on the various commitment levels. We are counting on you to make your pledge and bring this campaign to life.

To make an even greater impact, we also need your voice to encourage industry partners to become active NEDA members and advocacy partners. In our current environment, it is more critical than ever before to conduct business with a trusted partner.



## UID 2010 University of Industrial Distribution—March 7-11

Attention all industrial distribution and manufacturing professionals committed to ongoing education and professional development: plan to attend the March 2010 University of Industrial Distribution; the industry's premiere distribution-specific education program.

Presented by the leading industry trade associations and delivered by content experts and nationally recognized university faculty members, the UID program is now in its seventeenth year and is recognized as "the source for distribution management education and cross-industry networking."

Participants select their own courses for each day of the four-day program, including such topics as: Distribution Marketing; Branch Management; Sales & Sales Management; Value-Added Selling; Business Leadership; Distribution Profitability; Consumer Psychographics; and, Channel Alignment.

UID participants will earn credits toward their Certificate in Industrial Distribution, provided by Purdue University upon the completion of 90 hours (9 CEUs) of qualified educational instruction.

Click here for the online brochure and registration form. Complete conference details and course schedules are available at [www.univid.org](http://www.univid.org).



## Contact NEDA:

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



### Upcoming Events:

#### 2010

- January 12** Leveraging Facebook for Business  
NEDA/AEA Webinar  
1:00 pm EST
- March 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

## NEW NEDA Members

Distributor  
Spirit Electronics, Inc.  
23910 North 19th Ave.  
Suite 26  
Phoenix AZ 85085  
Phone 480-998-1533  
[www.spiritelectronics.com](http://www.spiritelectronics.com)

Manufacturer  
Switchcraft, Inc.  
5555 N. Elston Ave.  
Chicago, IL 60630  
Phone 773-792-2700  
[www.switchcraft.com](http://www.switchcraft.com)