



NEWS

We Wish You All a Happy New Year

January-February
2000

By now the announcements have all gone out and you know that we have a completely new list of Officers. As you look over the listing on page 8, you will see some changes that were completely unexpected. The most dramatic, of course, was the death of our incoming president. Somehow all the challenges that our officers and members went through as a result of Al's passing pale by comparison, but changes had to be made, and fast! (See the announcement below.)

Conforming to our by-laws, **Chris Jumper (JEM Electronics, Inc.)** moved up in the ranks to become the new President. **Brian Everhart (Everhart, Inc.)** assumes the new role of Senior Vice President and **Tom Birks (Left Coast Ventures, Inc.)** will assume the task of Secretary. **Tracy Gerber Rodriguez** retains her position as Treasurer. All the rest of the officers are listed on page 8.

Steve Ross did a yeoman job on the directory, which was next to being done getting set up for printing. Fortunately, he caught them in time! There should be no delay getting them in the mail this month but please understand if it takes a few extra days.

There will be no President's Column this issue. We suspect that Chris will be on line and ready to go by the next meeting, February 1. But writing too? He may not know enough about his new duties to really have his ducks in line by then. We'll probably see his first column ready in time for the March-April issue. (You'll find his picture on page 3.)

We were all saddened by the news that Al Telford, our incoming-president-to-be passed away December 15, 1999. Many of his friends both in and out of ERA attended a very lovely memorial service at Crossroads Bible Church, of which Al was a founding elder. His wife, Connie, their three children and one grandchild survive him. Al's leadership skills were obvious and we all will miss him.



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WESCON 99 REPORT

Electronic Conventions Inc., and all who have worked with WESCON over the past 10 years are wishing **Harry Croner** congratulations in his retirement. As of this millennium, Harry will venture into the world of rest and relaxation. Harry has had the task of running Electronic Conventions Management as the General Manager through all of the peaks and valleys that come with the job. One of his most difficult tasks has been to manage the large number of volunteers, like you and me, from the **IEEE & ERA** who want to help with WESCON. Harry has made himself available to the staff as they transition to getting along without his leadership. Good Luck Harry and thank you.

WESCON 1999 had many happy attendees and exhibitors. “The best show that we’ve had in years,” said **Tom Cohn**, Marketing Manager for **Bay Area Labels**. Most attendees loved the show floor layout and product offerings, not to mention the Eskimo Pies handed out by Alaska Airlines. **Larry West**, Senior PCB Design Engineer at **Diablo Research** in San Jose has been attending WESCON since the 70s. “Over the years, WESCON has gone from being mostly large component companies who exhibit to those encompassing everything from software to manufacturing facilities. This growth has broadened the scope of what I can learn there. Making it even more valuable for me to attend.” The San Jose only venue helped to consolidate the exhibits for the attendee and maximized his time spent at the show. This allowed more time to focus on finding the right product to fit their project.

A 200% increase in the promotional budget for WESCON may have helped get the attendee to show. Did it? That’s hard to say. **ECI** did not think so. Though always hard to measure, the success of WESCON 1999 could not be traced to the efforts of **Carter Israel**, the public relations firm hired to promote the show. There were not many attendees who were aware of the X-Files theme nor even cared. Some exhibitors made the best of it, Shur Sales had flying UFO’s an alien balloon arch, “Men in Black” and Lab-coated government meddlers looking for space ships. **Roger Auerbacher** of **Inter-Technical Group** was one of those who dressed the part said, “We generated a lot of interest in our booth and our products, attendees thought we were the official site to meet William Davis of X- Files”. One benefit of the promotions effort was more local TV coverage through the appearance of celebrities **William Davis** and **Fred Couples**.

SHUR SALES

Hugh Shyba



“The growth has broadened the scope of what I can learn at WESCON.”

NEW MEMBER

We welcome the following new member to our Instrumentation Group:

Brian Levien, Sales Engineer

Sentech Measurements

2804 Danube Ave.

Davis, CA 95616

Phone 530-792-0175

Fax 530-792-0515

e-mail schroe@pacbell.net

NEW President



Chris Jumper
JEM Electronics

Calendar of Events

Here is a tentative schedule for Chapter Activities for the year 2000. It is subject to revision, so check this listing from issue to issue.

MEETINGS

- Feb 1 (Tues) [Michaels at Shoreline](#)
- April 4 (Tues) [Michaels at Shoreline](#)
- June 6 (Tues) [Michaels at Shoreline](#)
- Aug 1 (Tues) [Michaels at Shoreline](#)
- Sept 11 (Tues) [Golf, Crow Canyon Country Club](#)
- Nov 7 (Tues) [Michaels at Shoreline](#)

SPECIAL EVENTS

Christmas Party [TBA](#)

ERA NEWS

is published bimonthly by the
**Northern California Chapter,
Electronic Manufacturers
Representatives Assn.**

Edited by R.W. (Bob) Parsons

Note: You may receive this newsletter as an attachment to an e-mail message. Just send an e-mail request to: info@brmsales.com

The newsletter is sent in .pdf format, which gives you a full color presentation when viewed on Acrobat Reader, available free from Adobe Systems.

To download Acrobat Reader go to:
<http://www.adobe.com>

**Don't miss ERA's 2000
Management and Marketing
Conference**

April 1-13 in Baltimore MD

NEWS AND VIEWS

“**T**here is a lot of conversation going on about Split Credits (Commissions) and how they are affecting reps in general.” If this sentence looks familiar, it was the opening statement on a recent survey we sent to our members on our e-mail list. We were trying to identify and define this challenge as it applies to this territory. The results of this survey proved that, quite literally, the condition affects our business, sometimes quite dramatically!

Thanks in part to the efforts of the late **Al Telford**, we were exposed last year to two particularly insightful speakers – **Ed Markiewicz** of **Sharp Microelectronics** and **Paul Esling** of **Celistica** gave us new perspectives to consider about how our world is changing, with particular emphasis on the influence of the Contract Manufacturer (CMS). Two full afternoons were devoted during WESCON-99 to discussions around this topic, as reported in our last issue (Nov-Dec-99). In this issue, we “tweak” those perspectives.

If you are a Principal, read this article with an open mind. These are rep perceptions – not entirely without bias or “spinning” by the writer. If one or more of your reps sent it to you, pay attention. If you just happened upon it while browsing our chapter web site, remember the old adage, “If the shoe fits, wear it.” We hope above all else that you find it enlightening!

This tally represents the results of 35 responses out of 135 surveys sent out. A 26% response, overall, isn’t bad. You probably should take into consideration the number of reps who are not in the components field, the area most impacted by the CMS. Look more closely and you will observe that probably over half the applicable reps responded.

We go through the questions one-by-one, showing the answers and the percentage of those responding who selected each option:

1. How have Contract Manufacturing Services (CMS) impacted your overall business?
Positively (17%); Neutral (20%); Negatively (63%)
2. How have CMS’s impacted your overall profitability?
Increase (17%); Remained about the same (20%); Decrease (63%)
3. Do your principals correctly track and credit your orders going *out of territory* but in domestic US locations?
Most of the time (63%); Hardly ever (26%); Never (11%); Don’t know (<1%)
- 3a. Do your principals correctly track and credit orders going to *Mexico*?
Most of the time (19%); Hardly ever (32%); Never (32%); Don’t know (13%)
- 3b. Do your principals correctly track and credit orders going to the *Far East*?
Most of the time (13%); Hardly ever (39%); Never (32%); Don’t Know (6%)
4. How are your principals tracking outsourced orders to determine share of split credits?
(Select all that apply)
Assign specific part numbers to any given account, facilitating tracking. (Also note if they add ZIP codes, or use other methods of identification) (43%);
Run periodic reviews to determine if part number is still being used at the customer level. (11%);
They ask customers and the CMS supplier how much local support is needed. (<1%);
Other (37%)

EDITOR’S COMMENTS

Bob Parsons



Look more closely and you will observe that probably over half the reps responded.

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5. Looking at your three major lines where split credits are a challenge, tell us how your principals are sharing (dividing) the commissions.
(This question created a bit of confusion and rightly so. We will revise the layout of the question if and when we re-submit this to the national membership. The comments will explain the results of the survey answers.)
 Design in gets 65% 50% 35% 25%
 PO Placement gets 65% 50% 35% 25%
 Shipment point gets 65% 50% 35% 25%
6. Do any of your principals “split” credits when there is no rep at the split point?
 Yes (66%); No (33%)

ANALYSIS

It is not surprising that this territory, one that contains so many prime design-in locations, would produce the results shown in questions 1 and 2. Almost two-thirds (63%) saw their overall business going down, and their profits going down as well. Several made strong comments about this condition and we will insert some of these comments later.

The same 63% stated that their principals correctly track and credit outsourced orders that end up in a domestic location (Question 3). We note that the “Hardly Ever” response was selected over a quarter of the time, however, indicating that some work needs to be done.

Outsourced orders ending up in Mexico and the Far East do not fare so well (Questions 3b-c). The Hardly Ever’s and the Never’s make up a predominant reaction. Among the larger commodity reps, we know of at least two who have found it necessary to open branch offices in the Far East to protect their interests.

We give the principals credit; almost half of those reported upon do, in fact, use some method of tracking part numbers (Question 4). At least a third of the “other” responses, on the other hand, reflect that the principals expect the rep to track the orders.

The commission split rates (Question 5) came in a little confusing since the table we established was not detailed enough. At least half those reporting acknowledged a 50%-50% division, in one form or another. A few were at 33% across the board. A surprising percentage, some 45%, divided the commission rate in a manner favorable to the design-in rep, 60-75%, going to these source people.

Finally, two-thirds of the respondents indicate (Question 7) that one or more of their principals are splitting commissions where no rep exists. A few commented that this was in their principal’s contract. Experience tells us that it usually is not. We have searched for a reasonable explanation for this action, but with no success. This action is a pronounced negative incentive for reps and we would hope that principals are wise enough to see this.

Almost two-thirds (63%) saw their overall business going down, and their profits going down as well.

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ADDITIONAL REP COMMENTS

Here are some of the written comments requested in Question 8, presented verbatim off the survey forms:

“Needless to say, 99% of the time in this territory, we do the hard work (design-in) and see it shipped off for production elsewhere and the rep in that territory reaps a windfall for doing essentially nothing. In 8 years, we have seen NOT ONE reverse of this situation.”

“We need to continue to educate our Principals on the importance of design wins to their overall business. Also need to push for higher design credit; 75% for design. Another approach is a “fee for service” for accounts that need to be called on for design wins but are difficult to track for commission credit.”

“Split commission tracking has become the biggest problem facing us. We have principals who do a very poor job of tracking, forcing us to not push those principal’s products in locations where the customer’s end product will be built outside of our territory. It has also added a great deal of expense to our company forcing us to call on a third entity (CMS’) in addition to OEM’s and distributors with no additional income coming from this work.”

“It has negatively affected my business due to the increased support required to service local CMS . . . “

“. . . our principals that sell to contract manufacturers try to assign custom numbers to any part that will have volume. They know they need us to do the design in work.”

It was hard enough to manage a rep business in Northern California 8 years ago (and prior) when the average commission was 5%. Now the average commission is 40% less and our operating costs are 25% higher.

“We should point out that a 5% line becomes a 2.5% line pretty fast, particularly here in Northern California where so little manufacturing is done.”

“Contract Manufacturers who use distribution complicate splits and tracking even more!”

And, finally:

“If a principal wants to cheat, it’s quite easy — especially on outsourced units.”

“We need to educate our Principals on the importance of design wins...”

COMMENTARY

This entire subject has a profound impact upon both the principal and the reps — whether or not you or they acknowledge the fact. It could be said that if the rep doesn’t like his principal’s policies, he can always look for more lines to make up his shortages in cash flow. True. However, more lines means less share of time and mind for the individual principal. And share of time and mind can be translated directly into total sales. Further, one does not just “pick” new lines. Good lines are hard to replace, even good lines where commission policies are bad. It is a matter of dollars and sense, isn’t it?

It is hard to speculate in terms of real dollars just what the cost might be to the principal, but one analysis might go something like this.

Let’s pick a part with an ASP (average selling price) of \$10. (All one has to do is adjust the powers-of-ten and one could talk about a \$.01 part or a \$100 part). Then use a 30% gross profit before taxes. (We use this amount, since it is an example we have heard frequently from principals in the past.) Now

...

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If one removes half (2.5%) of a rep's commissions and sales stay the same then nobody is hurt but the rep. The principal pockets the 2.5%. But what happens if sales *decrease* by 10%? A push? Not really.

A more reasonable assumption would be to choose to use an oft-overworked government analogy — what if the *projected increase* decreases by 10%? The out-of-pocket results are the same for the principal, regardless.

Probably such a small change would not really be noticeable, right away. In the meantime, the rep and his sales people might start selling the “easy” items. They don't go for the hard ones any more. The principal's “visibility” is further clouded. In all likelihood, the hard ones produce more profit over the long haul since customers are often locked in, frequently with front-end investments (tooling, etc.). These tend to protect the principal's longer-term forecasts. In fact, it could take the principal *years* to identify this kind of change of attitude.

CONCLUSIONS

We suggest that you count your blessings if none of the negative aspects of this survey report affect your business. If your principals are grossly violating the spirit of their relationship with you, then perhaps more (different?) lines are a requirement you must consider, like it or not.

If you fall somewhere in between, grit your teeth and know that the National office of ERA is working on solutions. Something is being said about this topic on every occasion where reps and principals are together, particularly at the National Conferences. Sooner or later the realities of the situation will make a difference.

Reasonable principals are listening and doing something about it. For those who ignore this set of conditions, we need to find a way to talk to one another. Or, perhaps have a good business downturn and the economy will get their attention. It always has in the past.

Since this is in .pdf format, you might want to send along a copy to all your principals and ask them for an opinion. If you are in a position where you are afraid to let your principal know that you sent this, then print out a copy and have a friend on the East Coast mail it to the right party in a plain brown, un-marked paper envelope. And, if all else fails, pray.

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HAPPY NEW YEAR!

The Northern California Chapter of ERA is one of the most active chapters within the national association and it has won numerous awards for its service to the electronics industry. The chapter's success is a direct result of the interest and the effort put forth by its members.

1999 Chapter Officers, Chairpersons & Directors

EXECUTIVE COMMITTEE

OFFICERS

			Area	Telephone	Fax
President	Chris Jumper	JEM Electronics	(925)	417-1033	417-1458
Senior Vice President	Brian Everhart	EVERHART, Inc.	(408)	865-0344	865-0343
Treasurer	Tracy Rodriguez	Ewing-Foley, Inc.	(408)	342-1200	342-1201
Secretary	Tom Birks	Left Coast Ventures, Inc.	(408)	378-5620	378-8347
Membership VP	Brian Trankle	Brian Trankle & Assoc.	(650)	595-4004	595-0292

DIVISION VICE PRESIDENTS:

Communications	Mark Logie	RSVP Associates, Inc.	(408)	467-1200	467-1250
Components	Chris Straube	Straube Associates	(650)	969-6060	964-6526
Computer Products	Eric Robinson	E. S. West	(408)	565-9050	565-9055
Instrumentation	Ted Tilton	Gado Instrument Sales	(408)	736-8191	739-9826
Materials, Assembly & Production	Bill Hedgpeh	Z-Tech Sales	(408)	257-5371	257-5651
RF/Microwave	Tom Birks	Left Coast Ventures, Inc.	(408)	378-5620	378-8347
Sound, A/V, Security	Phil Kipnis	Multi-Media Marketing	(408)	988-1444	988-1707

EXECUTIVE COMMITTEE (The following plus officers noted above)

BOARD OF DIRECTORS:

Chairman of the Board	Bill Walsh	Westech Associates	(650)	961-1422	968-9898
Past President	Lon Hudson	Rock & Associates	(925)	462-6211	462-6206
Past President	Kevin Frost	Ross Marketing Associates	(408)	988-8111	492-0197
National Director	Jack Heidmiller	The Heidmiller Group	(650)	960-3933	390-0650
Alternate Director	Craig Smith	Prism Technical Sales	(408)	248-0700	248-2797
Director: ECI	Dick Foley	Ewing-Foley, Inc.	(408)	342-1200	342-1201
Secretary: ECI	Hugh Shyba	Shur Sales	(408)	399-7487	399-4767

COMMITTEE CHAIRPERSONS

Ambassador	Ray Del Bucchia	Life Member	(510)	736-8797	
Ambassador	Tom Mollard	Life Member	(650)	968-1581	
Archivist	Jean Lape	J.E. Lape Company	(650)	345-3021	345-3952
Directory	Steve Ross	Ross Marketing Ass.	(408)	988-8111	492-0197
Distribution	Susan Cullen	Moulthrop Sales, Inc.	(925)	461-7100	461-7120
Education	John Raimondo	CMG Premier	(408)	248-3890	985-0832
Golf Tournament	Ron Jenkins	Westech Sales	(650)	961-1422	968-9898
Internet	Edward Blake	Edward Blake Assoc., Inc.	(510)	770-9058	770-9698
Newsletter	Bob Parsons	BRM Sales	(408)	246-4582	246-4413
Showcase	Gary Zabel	James S. Heaton Co., Inc.	(650)	367-9000	367-7158

NATIONAL OFFICERS

Chairman of the Board	Clark Moulthrop	Moulthrop Sales, Inc.	(510)	461-7100	461-7120
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CHAPTER SUBSIDIARY

President Services, Inc.	Bill Walsh	Westech Associates	(650)	961-1422	968-9898
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CHAPTER STAFF

Executive Director	Hugo Shane		(650)	341-3596	345-3952
Executive Secretary	Marie Lape		(650)	341-3596	345-3952

1 “Key issues regarding the rep business are presented to help you *grow* your business — and stay in business.”

2 “Having manufacturers in attendance provides *unique insight* into the rep-principal partnership.”

3 “Networking face-to-face with peers, manufacturers and consultants is a *big-time* opportunity for growth.”

4 “The body of *knowledge* presented by conference speakers (reps, manufacturers, academics and consultants) is informative and *worthwhile*.”

5 “ERA puts together conferences that prepare its members for what’s coming, not what’s past.”

6 “Every rep who attends — large or small — is *better prepared* to manage changes in the rep business than those reps who don’t attend.”

7 “The table top suppliers’ exhibits offer hands-on *opportunities* to try

out the newest technology and services being used by reps today.”

8 “The breakout sessions contain tons of *‘how to’* information and alone are worth the price of admission.”

9 “The program is designed for reps by reps, which gives you the edge on knowing what reps will need

to *succeed* in the future.”

10 “ERA’s conference is the most *valuable* learning tool reps have.”

10 Reasons Why You Should Attend ERA’s 2000 Management & Marketing Conference

Education You Can’t Get Anywhere Else!

This message contributed by your fellow reps who believe ERA’s conference is the best way to enhance their professionalism and business growth.

**April 9-13, 2000
Omni Hotel
Baltimore, Maryland**



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