



NCALERA NEWS

SPECIAL REPORT – MEETING OF AUGUST 3

2004

You may have heard the “buzzing” about the August 3rd meeting . . .

by now. Not often does one see the kind of attention paid to a speaker and his subject as we witnessed that night. Bob Roumimper, president of Caltron Components, talked about their office in Singapore. His audience was with him completely as he covered the history of this office from the beginning, going back to 1990. It was a meeting to remember!

This special edition of NCALERA NEWS will review that talk while not forgetting our other speaker, Mark Conley. Mark gave an excellent presentation about what’s happening around ERA National. We will, in fact tie them together to illustrate the advantages to be gained by all members who chose to attend the National Marketing and Management Conference.

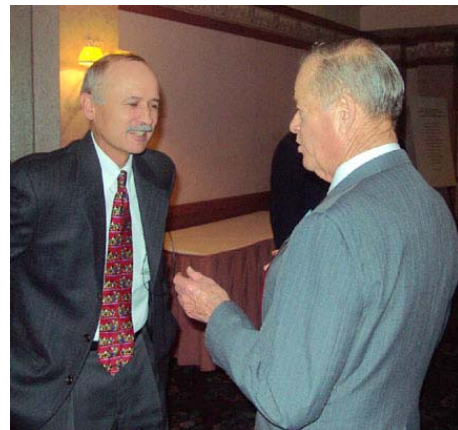
First, some background. Arrangements had been made for another speaker, the President of the local San Jose Chamber of Commerce. Monday morning, late, we received word that in order for him to make the meeting he had to be complete with his portion of the show and be out of there by 6:15. Obviously we understood the reason such a change-request could come up but getting roughly 35 who had signed up notified and (worse) coordinated to come early was next to impossible. If one person can face emergency changes in their plans, think what it would mean to expect 35 to change!

We immediately called upon Hugo Shane. We knew that the announced subject was to be a discussion around the Silicon Valley economy and how the Far East was making its impact. We also knew that Hugo had set up an office in the Far East several years ago and that the office was still going strong. We asked if he could help by inserting his historical perspective and to help persuade Bob Roumimper to make a showing.

This was late Monday! Not only did Bob show up Tuesday, he came prepared with a complete, very professional Power Point presentation, covering every question we had posed and more! Our gratitude to Bob cannot be fully expressed since much of this article is directly quoted.

With some help from Hugo (who opened the office in March of 1990) Bob tracked the history of their office in Singapore.

(Here’s the two of them at last year’s Christmas Party – Hugo is on the right.)



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**Here is the sample topic outline we
suggested.**

- 1. Setting up an office in the Far East. (Pg. 2)**
- 2. Getting current principals interest enough to cooperate (contract) with local company as rep there. (Pg. 3)**
- 3. Communications challenges. (Pg. 3)**
- 4. Travel challenges. (Pg. 3)**
- 5. Hidden costs (Pg. 5)**
- 6. Good things that happen -- like added support from principals and/or \$\$\$\$. (Pg. 5)**
- 7. Mark Conley Reports. (Pg. 6)**

It all started with a company called Conner Peripherals, a maker of disk drives who had recognized the cost effectiveness of the Far East migration. Hugo Shane, then the owner and principal operator of Caltron Components, kept asking his principal why he wasn't getting any splits from the Singapore territory. Their local Far East reps insisted there was no business there. (Why were we not surprised to hear this?)

Bill Mackin of Quadrep was not only a personal friend, he had already opened an office out there. He encouraged Hugo to get off his duff and go after the business. As you might guess, they eventually determined that the rep in question was closely connected to a major competitor and he, the rep, was systematically converting all of Caltron's designs over to that of the competitor. (Maybe Bill's lines were a lot better locked in and perhaps had not experienced this kind of financial deviation. Remember, this was back in the late 80's. The evolution of this condition was not universally known.)

SETTING UP AN OFFICE IN THE FAR EAST

Two years and roughly \$150,000 later, Caltron's office was a reality, officially opening in March of 1990. The investment reflects a lot of careful preparation by our Mr. Shane and Bob Roumimper. They quickly recognized that Singapore could be a very easy place to work. Their official language (government and commerce) is English. It had the world's largest container port. It had a highly educated local workforce with a very good work ethic. Plus, there was a plentiful labor pool available from the nearby countries of Malaysia and Indonesia. Under Prime Minister Lee Kuan Yew, Singapore had long been established as a safe place to do business.

Safety was a critical factor. Companies such as Intel and Seagate needed to protect their intellectual property. Safety also applied to the well-being of their employees. To quote Bob, "other than Disneyland, there is no safer place than Singapore." This provided an ideal business model for low-cost manufacturing.

GETTING PRINCIPALS TO BUY IN

It also looked good for a branch operation. Who could miss the presence of Connor Peripherals, H-P, Intel, Maxtor, Northern Telecom, Seagate, 3-Com and Western Digital, all local customers. This is not to ignore other International firms such as Akai, Alps, Grundig, Pioneer, Philips, Siemens and others – already there.

To emphasize the size of these operations one only has to observe that at one time, Seagate employed more than 12,000 people in Singapore!

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PEOPLE IN SINGAPORE!**

The first thing that was done was selecting and hiring a local attorney to give legal guidance, and a local accountant firm to handle the counting of beans. Both Hugo and Bob commented independently that that may have been Caltron's smartest move, and that these two services had more than paid for themselves many times over. It was decided to create a separate firm, owned by the same ownership as that of Caltron Components, but created to function as a consultant to Caltron, U.S.A. This enabled control of the revenue and expenses.

Next, they found a local sales engineer/manager who was trustworthy to operate their office. Their efforts were well rewarded and the same Manager, FM Woo, is still with them. Bob emphasized that trust is what it is all about. They emphasized offering services that only "locals" can do. They had learned that much about local business customs and their laws already.

COMMUNICATIONS CHALLENGES

At the outset of this operation, they were astounded at how easy it was to communicate with Singapore, Malaysia and Hong Kong. The same was not true for Japan, Taiwan and China. Over time, these latter countries have become much easier to communicate with.

Once e-mail took over as the primary method of communicating with Asia, it became easier and easier to reach a more complete understanding. In spite of this, nightly conference calls are a way of life at Caltron.

Although English is widely understood, they found that it was better to have Chinese speaking people on your team. Also, VoIP is here. Low-cost voice and data services are making it ever less costly to do business in Asia.

TRAVEL CHALLENGES

Traveling to the Far East is not difficult. It is the time away from your local customers and your family that causes you the most grief. During 1993 and 1994 they hit the height of activity in Singapore. Bob spent at least three weeks in Asia each year. He notes that every country is different. That's the best part of the job.

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He adds, “Travel in packs. I have made the best of friends during my many trips to Asia with principals and customers. Travel with your suppliers. Nothing gets you closer to your principal.”

They had to face the need to visit the country at least twice a year – another way of saying, if you don’t like the country or the people, don’t go there. As noted above, it was also necessary to get their principals involved. The close ties between their principal’s local sales management in Asia and their Singapore sales team help to provide a friendly interface between the factory and their mutual customer.

THEY NEED TO WIN THE BUSINESS TWICE -- FIRST AT THE DESIGN SITE AND AGAIN AT THE FULFILLMENT SITE

Most principals are aware that “demand fulfillment” is now in Asia. Among available principals, the Japanese suppliers must be persuaded to recognize sales and revenue that has moved to Asia. Once they OK the action, they are completely reliable. The U.S. based semiconductor companies set the best overall example. They have learned that they need to win the business twice -- first at the design site and again at the fulfillment site. Global coordination is the key to sustained success.

Caltron Singapore and Caltron U.S. now have six lines in common. Singapore also has three other lines, independently. They expect to add at least one more line for them, fairly soon. Do they cover China? Certainly. Is it as profitable as one might desire? Well, we didn’t get the impression that China was a particularly attractive market for that office.

Travel regulations are different, as well. Moving from one country to another can be a challenge. Bob cited the time when he was asked to give the immigration people either his passport or his driver’s license. He refused to give up either. What they wanted, as it turned out, was a picture-ID. So, he gave them his Costco card, which filled the bill completely. (Yes, we checked our card and it does have a picture on it.)

Since China has entered the picture, distances are a lot greater than one might think, if you haven’t been there. The flight from Singapore to Hong Kong is about the same as San Jose to Chicago, non stop. While we haven’t seen it done, it is our guess that you could overlay the continental U.S. and China, with New York in Hong Kong -- the west coast would still be within China. When you then observe the other dimensions and you realize that this region about which we are talking is BIG!

For another, the element of trust is weakened by the things that are happening over there. As mentioned before, some Japanese companies have long had a reputation for taking a position that doesn’t favor fair sharing with their reps. But that is a cultural difference that can be overcome with proper handling, as mentioned before. One doesn’t have to read a great deal to determine that the Chinese culture is very different. To use an old “country” expression, “It’s a dog-eat-dog world out there, including the tail.”

Based on historical knowledge gained from Bill Mackin back in the days when I was active as a rep, principals loved having a rep with such an office in the Far East. Probably this

was because they found that they actually achieved better coverage than they would if they had a factory-staffed office in the same location.

HIDDEN COSTS

The hidden costs are only hidden if you don't know where to look for them. Use the local people you hired to determine your true cost of operation. This guarantees that your attorney and accountant pay for themselves. The local business customs and tax laws will keep you in line. For instance, tax audits of U.S. owned companies is common.

Caltron has operated in Asia for more than 14 years and has not paid one penny in bribes. They did, however, buy Compaq a new vacuum cleaner. (As Bob described this incident, it sounded more like extortion.-)

The cost of unplanned travel can be very expensive. An unplanned flight to Taiwan is \$2,800.00 (coach) during Chinese New Year.

GOOD THINGS DO HAPPEN

Because of their Asian office, they collect a much higher percentage of their commission dollars from there. (That's where the production buys are shipped!) No matter where the sale is recorded, Caltron Singapore has a better chance of tracking it down. It is easier with proprietary products, but it can be done with commodity resistors as well.

After the interview process, two of their biggest lines commented that Caltron Singapore was one of their most valuable reasons for getting the line. Traveling with your principals is good fun and good business (and an apparent source of "strokes.").

Here are some of the important facts about Caltron Components Singapore, their support team for Singapore, Malaysia and Thailand

- FM Woo, Managing Director since 1990
- 3 Outside and 3 Inside Sales
- Local link for OEM's doing business with EMS providers in Singapore, Malaysia and Indonesia.
- EDI Coordination of automated and manual orders
- Administration of GST (Goods and Services Tax)
- Local warehouse and delivery per EDI demand.
- Order Booking, Order Tracking, Customer Service
- Engineering support for Local Design Win opportunities.

Bob closes with the statement:

As always, WE ARE IN A PEOPLE BUSINESS, NOT A PARTS BUSINESS!

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There was almost a stunned silence as Bob concluded his presentation and asked for questions. The mental “wheels” were grinding and soon there were several who spoke up. We are of the opinion that few had ever been exposed to such openness or thoroughness about how a successful rep company was really operating in the Far East. There is no exaggeration here. Mr. Roumimper did a creditable job. Thanks again, Bob.

MARK CONLEY REPORTS

At the start of the meeting, Mark Conley gave us some input on what is happening at the National Office and included more information on next month’s National Conference.

The biggest change of all involves the retirement of Ray Hall as CEO of ERA. After 41 years in office, Ray sets a date to take down the shingle and attempt to take it easy. After two years of identifying and training his replacement, even though that’s the agreement, we’d bet that he will be doing a lot more. While the Hall energy level may have waxed and waned over the years, it ain’t gone!

We published a special edition of NCALERA NEWS for Ray’s scrapbook, which will be presented to him, along with other surprises, at his final bash, AuRAYvoir, to be held at the National Marketing and Management Conference next month. You can read it on our website as soon as it is posted. We have been asked to delay publication until after the party, to be held September 8th. The planners don’t want Ray to know everything that is going on. (And *that* will be tough to carry out!)



☀ Mark announced another change that will shock and sadden some of our readers. Bryan Shirley (Our February 27, 2003 speaker) has resigned as a member of the National ExComm and is leaving the rep business altogether. You may remember that Bryan talked with us about Buying, Selling and Merging a Rep Company with another. His very timely talk attracted the largest member-attendance that we could remember and he spoke with authority since he had worked his way through the process. Check out our website and look for the “March-April 2003” issue. www.ncalera.org

As other members of our local professional community will testify, merging two rep companies together just isn’t all that easy. Bryan’s “burn out” is one reflection of how a truly dynamic guy can reach the point of no return and want out. We wish him well, and he should know that our industry will miss his input.

☀ Bad cash flow is not limited to Northern California, as bad as it has been. The National Membership has reduced to 777 members. They also have 300 manufacturer members. The result has demanded a dramatic reduction in costs. Specifically, Administrative overhead has been reduced by 45%, Travel by 30% and Personnel by 45%. National membership has dropped by 3.5% just over the past year. Since 52% of their revenue comes from dues, any drop is troublesome. Mark will welcome ideas that will contribute to an increase in membership.

Editor's note: You will be reading about several ideas being put together to achieve this objective for the chapter. There are things we can do and it is this writer's opinion that many will be put in force. Soon!

NATIONAL MARKETING AND MANAGEMENT CONFERENCE

☀ Over 100 people are signed up for the National Marketing and Management Conference, including 30 manufacturers. Last minute publicity efforts are paying off and this show should be well-attended.

Here are some highlights of the presentations:

A special “Cost of Sales” follow-on of a winning presentation at Keystone 2003; Doug Canterbury and a “who’s who” list of panelists advise what *customers* really want from Reps; and Charles Cohon, an author and a rep will advise manufacturers on “How to Motivate you Field Sales Force” and advise reps “How to put more feet on the street.” Carla Mahrt will introduce “The Best Practices of Reps.” This, a follow on from a previous presentation.

Here's more topics to be examined:

- Moving Off The Milk Route
- The Global Economy
- Forming Rep Alliances
- Trends in Global and Local Distribution
- Preparing your rep company for needed changes
- Sourcing and Selling in China
- Better Negotiating
- Dare to Diversify!

IN CLOSING

If you missed this meeting, that's a shame. It is during these network sessions that you are exposed to all kinds of reps and, more often than not, some of the most successful in the chapter. Yes, meetings require time, but anything that is worth having requires some investment and that usually involves time, as well.

If you miss the up-coming conference, you will also pay a price. There is no way to explain how much you can bring back from one of these get-togethers. We have attended many and will be going to this one. Sure, you will be able to read our write-up. But OH, how much you will miss. It's not too late and whatever penalty you pay for coming in late will be more than made up for by what you bring home!