



# NCALERA NEWS

NOVEMBER-DECEMBER

2005

## Electronics Supply & Manufacturing Global Supply Chain Summit

To condense a three day conference of any kind into a few pages is next to impossible. Frankly, we didn't plan to do a complete report on this program, but rather (a) to pick up an overall perspective and (b) emphasize what might be of importance to reps! Our reaction?

1. The Summit, overall, was positive and constructive. I asked one of our member reps who was present, "Are you hearing anything new?" "Not much," he replied, "but certainly from a different perspective."
2. Things (for the rep) are changing dramatically! Some changes are good but many are at best, not-so-good.

This was our second visit to what has become an annual event. The attendance was considerably smaller than we remembered it to be at the previous meeting. The logistics were superb. Co Chairs Bruce Rayner, Editor-In-Chief of *Electronic Supply & Manufacturing* Magazine and Dr. Hau Lee, Professor at Stanford University both did creditable jobs of managing the events. Their staff is to be congratulated. (The Hotel apparently forgot the unusual rise in usage of the rest rooms but responded immediately to the suggestion that more "attention" was required.) The food was excellent. Everything worked.

Keep in mind, whether by design or accident, this summit was designed for manufacturers, distributors and contract manufacturers. From all appearances, it was for *large* manufacturers, distributors and contract manufacturers. The content, the procedures being presented to this group, was certainly appropriate for this kind of audience. In fact, the only mention of reps was reserved for the very last presentation Wednesday, billed as Challenges, Threats and Opportunities for Your Global Supply Chain.

### IN THIS ISSUE

Global Supply Chain Summit	Pg. 1
President's Column	Pg. 4
Fax Bill now law!	Pg. 5
News & Views	Pg. 6
Chapter Officers	Pg. 8

The speakers during that session were (in the order shown below ): Si Gutierrez, VP National Semi; Greg Frazier, Sr. Vice President, Avnet; Mark Conley, Pres., O'Donnell Asso., No.; Michelle Hermann, Dir. Of Supply Chain, Logitech; Carl Evans, Vice

President, Operations, AMX Corp; Joe Mc Beth, Sr. Dir. Of Supply Chain Mgmt., Jabil Circuit; Bruce Rayner, not in picture, chaired the session and conducted an interesting Q&A session.

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As you might have expected, Mark Conley concluded the session. He talked about the rep in the Supply Chain. He emphasized the stress level of the business, particularly as to the costs of doing business. Good salesmen are getting increasingly difficult to find. Mark noted increasing demands by his principals for extra support in the form of reports, meetings, frequent visits from the factory people with specific purposes outlined, sometimes ignoring the rep's protests as to the efficacy of certain calls.

Competition is fierce in the field at the customer level. Reps, on the other hand, are in great demand. Mark commented on the frequency of inquiries from manufacturers looking for reps in his territory, but not necessarily from members of *this* audience. The inquiries are usually from Tier 2 and 3



manufacturers. This at a time when 50% of the rep companies once operating in the territory are now out of business or merged into larger rep companies. For one reason or another – gone!

The world-wide spread of the Supply Chains has made outsourcing a way of life. This has wreaked havoc with the compensation system applied to reps. The price decreases realized off shore are applied directly to the commissions received by reps – when the rep can track those purchases/shipments. More often than not, these shipments are either lost from sight or when tallied, the commission rate is reduced to the point that the rep is barely compensated for his efforts at the design level. This effectively raises his cost of sales by lowering his total revenue.

**. . . he could remember when the impact of reps was greater and highly integrated into the Supply Chain.**

We were shocked to hear Bruce Rayner suggest, right after Mark completed his presentation, that he could remember when the impact of reps was greater and highly integrated into the Supply Chain.

*Our “shock,” by the way, was not a commentary on Bruce’s position. Rather, it was the recognition that much of the mumbling and grumbling we hear from reps with whom we talk about principal’s indifference to their needs was not unfounded.*

Since several speakers had mentioned things like POS and fair compensation, we asked the group during the Q&A period to give suggestions as to how or if they were dealing with the dilemma Bruce presented. What are they doing to correct this lack of influence and still create enough revenue to sustain growth?

**The bulk of the Summit’s presentations had to do with RoHS and WEEE**

Only Mark responded. He couldn’t speak for the industry overall but out of necessity has had to reorganize his product lines. He looks for principals who recognize his company’s value and compensates him accordingly. His company works in turn to contribute to each principal’s growth. It’s either that or look for principals whose target customers more closely follow the pattern of design-locally and manufacture-locally.

Another alternative is to add more lines. Mark was quick to add that this last action does not bode well for either his company or his “leaders.”

One speaker, Carl Evans, of AMX Corp., did emphasize the necessity of reporting POS information to all concerned, to assure that his company received the

attention they required from their vendor representatives by aiding in the receipt of payment for the services

The bulk of the Summit’s presentations had to do with RoHS (Restriction of Hazardous Substances) and WEEE (Waste from Electrical and Electronic Equipment). Both these directives are of European Union origin and have to do with the recycling and/or destruction of electronic equipment. Compliance by manufacturers will be required by July, 2006.

So far, just over 60% of the manufacturers involved are compliant to some degree. Many of the remaining companies are either ignoring the challenge or assuming that the challenge will go away.

Whatever keeps them from moving in the direction of compliance, they should recognize that this is a time-bomb waiting to go off. Reps whose principals are going in this direction should recognize the difficulty of maintaining sales volume with them as well as the very real chance that materials will be refused when shipped -- or worse, returned after shipment, billing, and collection.

There has been a ton of material written over the past year about RoHS – a little less about WEEE. We will, however, be doing some research that will permit a more thorough review of this important subject and the Summit just passed. Don’t be surprised if you get a call from this office, requesting an opportunity to talk with you about how these environmental requirements are affecting your business.

Research must also be done as to why the rep’s *apparent* position in the manufacturer’s supply chain has lessened. We will get in touch with a few of the “good guys,” those who choose to recognize the rep’s value, as well as those whose positions are less favorably inclined toward rep support.

**PRESIDENT’S COLUMN**

By Michael Onken

As my term comes to a close, I want to share with you my thoughts on the future of our industry and of our chapter. I recall the days of applying to colleges, when one prestigious university required an essay to answer the question, “Where do I see myself in the year 2000?” What? I couldn’t simply change the name of the school and send in my generic essay!



This is how I see the future of ERA. Our chapter officers serve one-year terms. It would be so simple to rotate in new officers and conduct business as usual. Just send in that “generic essay”, so to speak. Fortunately, both recent and future leadership recognizes that the generic essay won’t do. If recent economic, social, and political turmoil has taught us anything, it is that we cannot thrive, let alone survive, as status quo.

I have complete confidence in Phil Kipnis and others to continue shaping our chapter into an organization that becomes a progressive, leading benchmark for our industry.

Nonetheless, I will use this last President's column as a public call for everyone to accept, embrace, and tackle the challenge of change. As Thoreau reminded us 150 years ago, "Go confidently in the direction of your dreams. Live the life you have imagined."

I have written throughout the year of my frustrations with our channel partners. Reps are caught in the middle, while our principals, OEMs, distributors, and C/MS try to figure out how to work with each other in this changing global economy. I do believe those efficiencies will be ironed out. However, I believe we must be active partners in re-writing the rules of business. We continue to play the role of victim with past practices being dictated to us. The perfect example is the 30-day contract; an outdated idea from 50 years ago, still haunting us today.

So, what can we accomplish? First is to recognize our chapter is built on the dreams of people. We are not a commodity to be traded based on "price & delivery". I challenge the chapter to seek the wisdom and guidance of our Past-Presidents and other industry statesmen. Another human resource we need is our newer members. We need to use their energy and enthusiasm to help the chapter move forward. I know many of you have already volunteered to serve the chapter over the years. We need you now even more than ever.

Another idea I see our chapter implementing might include publishing. The national organization (in some cases, led by Mark Conley) has done a great job in publishing white papers on some of our most sensitive topics. We can and should do the same on a local level. Our voice needs to be heard. Other ideas might be to offer more scholarships- for CPMR or other endeavors such as credit toward an MBA. Maybe we should even offer our own version of CPMR in Northern California! Maybe we should offer grants to those starting their own rep firms. Perhaps we should consider an offshore office to serve our collective interests. Perhaps increased involvement in trade summits or trade shows is warranted. Maybe we need to have our own "no-name" best-practices organization, serving all member firms. Maybe we can offer other practical resources such as computer support, accountants or attorneys. I would like to see us establish our own library. I, for one, have a collection of business briefs and books on CD, which would be very helpful to others.

I do not have all of the answers, but I do know that collectively we can accomplish anything. In sum, I believe we must do two things as a chapter to thrive going forward- show our solidarity in the industry, and be an active leader in these changing times.

## **CALIFORNIA GOVERNOR SIGNS FAX BILL INTO LAW**

California Governor Arnold Schwarzenegger signed a law October 7 that prohibits unsolicited fax transmissions without the prior consent of a recipient and without an exemption for cases where there is an "established business relationship."

The California law does exempt faxes sent by a nonprofit trade or professional association that are in furtherance of the association's tax-exempt purpose, provided that 1) the

recipient is a member who voluntarily provided a fax number to the association; 2) the fax is not primarily for the purpose of advertising goods or services from a third party; and 3) the member has not requested that the association stop sending faxes advertising the availability of third party goods or services.

The California Chamber of Commerce was among the business organizations that opposed the legislation, pointing out that it conflicts with federal law. President Bush signed a law earlier this year that restricts “junk faxes,” but allows an exemption in cases where the business or organization has an established business relationship with the recipient.

Recipients of unsolicited faxes can bring action against the sender—if the sender is located in California or if the recipient is located in California—for \$500 per violation, which can be trebled if a court deems the violation willful. The law goes into effect January 1, 2006.

For more information on public policy issues, visit the public policy section of the ASAE Web site at <http://www.asaenet.org/>.

If you would like to subscribe to InRoads, the weekly public policy newsletter, or manage your InRoads account, please visit <http://capwiz.com/asaeinroads/mlm/signup/>.

Our thanks to Helen Degli-Angeli of MANA for forwarding this information originated by ASAE.

**NEWS & VIEWS**

By Bob Parsons

Our business is going through some of the most radical changes it has faced in this writer’s memory, which dates back to the mid-sixties. In our report covering the advent of global activity (earlier in this edition of the NEWS) we saw how what was once a pretty straight-forward business has changed into a very complicated and yes, less personal business. The demise of the manufacturer’s representative business, *as our generation knew it* has happened. Operationally, practically nothing is the same!



☀ We remember how it was back in the sixties when, as a rookie salesman with a major LA rep, one of our periodic tasks was to visit each of our distributor’s warehouses and take their inventory of our products. We would then compare it to sales for the period and tell them what they needed to buy! How does that grab you in today’s world?

☀ A touch of history is important as we solidify this point. We recall that trade associations were different then, as well. ERA was a standout among such organizations. Their “chapter” program was on solid ground. On the other hand, when we hear comments such as that made by Bruce Rayner (Pg. 3) we see the need for the Association (including the Chapters) to face the “reality” of the issue. Maybe the old ways are no longer right for this market. Maybe it is time to determine how to make the rep’s presence more important to the industry. Are there things we can do to make our principals, distributors and the CRM’s with whom we work more aware of our value? Is it fair to presume that reps are the only ones who contribute to a design-in?”

☀ Just as the industry is changing dramatically, so is the comfort level of the reps we talk with. Yes, they are happier now than they were a year or so ago, but the tension is still there. Something needs to be done. Think about the options and discuss them with any member of the Executive Committee but especially the Chapter's leaders.

One step we can consider as a chapter is to reach back into the past and reinstate the office of Executive Director. We personally witnessed results of the *passion* of Frank Lebell, the *leadership* of Jack Logan and the *enthusiasm* of Hugo Shane, over the years as the chapter grew to double its current size. The bursting of the "dot.com" bubble started us on the decline that is now evident, not only in this chapter, but in the National Association as well. In fact, most trade associations are retrenching in one fashion or another. Several have gone out of business.

Finding some one person with passion, leadership and enthusiasm – someone with the time to do the tasks – plus the experience – might be too tough a package to fill. Perhaps a paid contractor could be found -- a professional consultant organization who is now in service; who follows the industry and is aware of the challenges that exist. Interviews with prospective companies such as this would go a long way toward identifying some of the challenges the Chapter faces.

☀ Past President's Night, an annual affair held last Tuesday, November 8<sup>th</sup>, turned out to be very dynamic. Michael Onken, President, introduced each of the 14 past presidents. This included 7 who are still actively working in the Chapter; 5 who are fully retired or no longer in the business and 2 who are kicking and scratching every inch of the way as life drags them into retirement.

Michael set what could have been a dangerous precedent by asking each of them to give a few minutes of input to the group (35 total). What started as remembrances of "their year" ended up as some great support for the thinking of the current and future chapter leadership, who were also present in the room. With the right kind of follow-on, 2005 and 2006 could be ground-breaking years both for our Chapter and the National Association. Nothing is more productive than youthful *enthusiasm* tempered by the patience of *experience*. Judging from the attitude shown at the meeting, there is no shortage of *passion*.

En Garde!

## ELECTRONIC INDUSTRY CHRISTMAS PARTY & CHARITY EVENT

Be sure to reserve the evening of December 8<sup>th</sup> for this event. The return of the Main Street Singers will be a special treat for those who may not have heard them perform before. A group of Los Altos High School students, the "Singers" have performed all over the world.

The Party is being held at the Four Points Sheraton Hotel at 1250 Lakeside Dr. in Sunnyvale from 6 to 9 PM, December 8<sup>th</sup>. They plan a delightful buffet with several theme menus to peak your interest and tweak your appetite. Check out our webside, [www.ncalera.org](http://www.ncalera.org), for details.

***CHAPTER OFFICERS, CHAIRPERSONS & DIRECTORS\****

<b><i>OFFICERS</i></b>	<b><i>NAME</i></b>	<b><i>COMPANY</i></b>	<b><i>A/C</i></b>	<b><i>PHONE</i></b>	<b><i>FAX</i></b>
*Chairman of the Board	John Latimer	Luscombe Engineering	408	955-9516	955-9581
*President	Michael Onken	Bridge Marketing	650	827-3600	927-3609
Senior Vice President	Phil Kipnis	Pacific Coast Visions.com	408	988-1444	988-1707
Secretary	Brad Bowman	Electro-Sales Associates	408	294-6299	549-9979
Treasurer	Mark Holcomb	O'Donnell Assoc., North	408	456-2950	943-8243
Membership V.P.	Chris Straube	Straube Associates	650	969-6060	964-6526
Support	Jerry Jumper Jr.	JEM Electronics	209	833-3283	833-3384
Education V.P.	Alan Kuczer	Prism Technical Sales	408	248-0700	248-2797
Support	Brent Hedgpeth	Z-Tech Sales	408	257-5371	257-5651
Support	Larry Loeswick	LS Engineering	408	464-7841	967-5884
*Past President	Bill Walsh	Westech Associates	650	961-1422	968-9898
*Past President	Bill Hedgpeth	Z-Tech Sales	408	257-5371	257-5651
National Director	Mark Conley	O'Donnell Assoc., North	408	456-2950	943-8243
Alt. National Dir.	Lon Hudson	Ross Marketing	408	988-8111	492-0197

***DIVISION VICE PRESIDENTS***

Communications	Hugh Shyba	Shur Sales	408	399-7487	399-4767
Component/Materials	Bill Walsh	Westech Associates	650	961-1422	968-9898
Computer Products	Brent Hedgpeth	Z-Tech Sales	408	257-5371	257-5651
Instrumentation	Ted Tilton	Gado Instrument Sales	408	736-8191	739-9826
RF/Microwave	Chas. Dickenson	C/G Associates	510	790-1193	739-9826
ESI (formerly SAVES)	Chuck Gorley	C&V Rep inc.	408	727-6105	727-1375

***COMMITTEE CHAIRS***

Ambassador	Hugo Shane	Past Exec. Director	650	593-8964	
Ambassador	Tom Mollard	Life Member	650	968-1581	
Golf Tourney Chair	Ron Jenkins	Westech Associates	650	961-1422	968-9898
Internet	Ed Blake	Edward Blake Associates	408	934-3955	956-9732

***INVESTMENT TRUST***

Chair	Bill Hedgpeth	Z-Tech Sales	408	934-3955	257-5651
Trustee	Hugo Shane	Past Exec. Director	650	593-8964	
Trustee	Lon Hudson	Ross Marketing	408	988-8111	492-0197
Trustee	Ron Jenkins	Westech Associates	408	961-1422	968-9898

***CHAPTER STAFF***

Executive Secretary	Bob Parsons		408	243-3372	246-4413
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- The Board of Directors shall consist of the current and most recent three (3) former Chapter Presidents.