

COMPONENTS

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Impressions and observations from the ERA Conference

I've just returned from the 48th ERA Management and Marketing Conference in Austin, Texas, and I thought I would devote this quarter's article to discussing my impressions and observations about the state of the industry from the meeting. The theme of this year's conference was "Collaborate, Differentiate, Accelerate," and it is in the spirit of this theme that my observations fall.

Collaborate: The complexity and interconnectedness of the marketplace increases on a daily basis, blurring historical boundaries and challenging industry "norms." Typically, non-technology companies are actively engaged in utilizing and developing new applications and uses for technology products, and in many cases even the new technologies themselves. Traditional competitors are cooperating in more ways than ever before. One trend in the components segment I heard about from my fellow conference participants was that their manufacturers are increasingly looking to broaden their product offerings through these cooperative arrangements.

For the rep, this "broadening of the product line phenomenon" has led to the proliferation of the subsequent "overly synergistic offerings" result. It is unclear how far this historical electronics industry boundary will be blurred in the future. However, at the very least, it is being tested more than ever before.

Differentiate: "Know your value proposition" was a phrase I heard often in discussions at the conference. Whether distributor, manufacturer or representative, the realization that we need to provide, and as importantly, demonstrate value is at the forefront of everyone's mind. I don't think this is a surprise to anyone, but one new thought I brought home from Austin was the concept of finding unexpected value in unexpected places. For me, and I suspect maybe for others, accompanying this newfound awareness is the renewed call to vigilance in merchandising value delivered. It's always show time!

Accelerate: In my notes from Jon Petz's keynote presentation, I have written, "The shelf life of innovation is shrinking." This is a statement with which I readily agree, and it probably does not need much defense. The industry is moving faster than ever, and the associated pressure that this puts on all of us is well known. The good news for today is that unlike the prior articles I have written over the last few quarters, industry demand seems to finally be following suit. In surveying people both at, and subsequent to, the conference, one phrase I have heard repeatedly is, "We're building a backlog." So, in conjunction with all the busyness everyone in the industry I talk to seems to be experiencing, maybe we are also starting to see some general industry progress as well. Time will tell.

I welcome your comments and feedback. If you attended the conference, I would love to hear your thoughts. If you didn't attend, you will get another chance next February, and I encourage you not to miss it. As always, I can be reached at ctanzola@fusionsourcing.com. See you all in Las Vegas at EDS.

ELECTRONIC SYSTEMS INTEGRATION

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Overview of changes and opportunities in the AV and security markets

Q1 seems to be a strong start to 2017 for contractors and distributors in the AV and security markets. However, the business has shifted from bid work to negotiated work within a contractor's existing customer base that is now pulling the trigger on projects that have been on the back burner for the past couple of years.

This is creating a challenge in launching new products into the market as most contractors are following up on bids in which they have already proposed products for their projects. Even if the newer product adds features and benefits, we are seeing a push back from contractors and distributors to change from what they have sold in the past. Most manufacturers are looking for immediate market penetration with a new product which is making some relationships difficult at times for the reps.

Adding to this market confusion are all of the mergers and consolidations happening currently. Even when one company buys another and makes no changes, the market is uneasy not knowing if and when change may be coming.

The CCTV market is seeing a huge reduction in margins as companies are entering the market at very low prices and selling "kits" through retail outlets. "Starter" software recording packages are being given away for free in the commercial space to try to commit a customer to a brand. Contractors are not happy with any of these marketing strategies by these companies.

AV contractors seem to be seeing a shift in their market too, “Huddle / Collaborative” spaces, at least with their larger customers, are becoming the norm. We are seeing more requests for training on products that apply to these types of deployments. We are also seeing a large requirement for sound masking systems in office spaces. Where background music systems were once the norm, sound masking is becoming the new norm. With building construction changing, privacy is no longer a given when having a private office or work space.

In closing, I would say that the market is strong but changing. Distributors that were never in the AV space are now looking at AV as a way to grow their business. Security and data have flattened, and AV is a new space for them. With Samson purchasing Harmand, D&M Pro being purchased by inMusic, and many others, distribution definitely sees opportunity in a changing market for them. We will see how this plays out in the next six months.

I recently read an article by Frank Hurtte in The January/February issue of *Industrial Supply* magazine. I am going to blatantly “borrow” some of his article because I think it is extremely important to us as reps and to our distributor customers. It is also something that we encounter on almost a daily basis: SCAMMERS.

We all get calls at home or on our cell phones with offers, opportunities or something like this: “Hello, this is Jack from Windows. Your computer has a problem, and I’ll help you repair it.” I trust that we all have learned to just “hang up” and move on. If we don’t, the cost and aggravation can be huge.

We represent some products that seem to attract these scammers. The products are relatively expensive and easy to dispose of, like SLA batteries. They can be sold as scrap for the lead content. The scammer really does not care about the cost. They charge them on a stolen credit card and by the time the distributor finds that out, it’s too late. The batteries or other items are delivered, probably to a rented facility and long gone. As reps we see requests, sometimes from multiple distributors for the same items, and the red flag goes up. We will contact the players and advise them to verify the request.

Mr. Hurtte makes the following comments in his article that deserve a mention.

“It can’t be stated strongly enough, these people are crooks. What’s more, a few of them are criminals of the worst kind: intelligent, well financed and organized.”

“The new breed of scammer knows how to use Google keyword searches. They know who you are.”

He further suggests, “Don’t assume everyone knows the ground rules. Review the topic regularly. Never allow sellers to step outside the normal credit approval policy.”

Here are some points he makes to help you identify these scammers.

- “Poorly written emails are your first line of defense.” Many originate from developing countries from people who speak poor English and are probably working from a script. If in doubt, it is probably best to just hit the “delete” button.
- “The email comes from a generic email account.” Some of these emails will come from impressive companies, universities or other impressive accounts. If they have a generic email account like “Hotmail” or “Gmail” or other generic email account, view them with skepticism right away. Always verify, verify, verify before responding.
- “The customer is from outside of your normal territory.” You should wonder why they are contacting you.
- “The customer has never done business with you before.” Why are they suddenly asking for a quote or simply to purchase without a quote?
- “Never call the number provided on the email.” I might add to this that it is also probably not wise to respond to the email either. That could add to the problem because many of the phone numbers are “rip-offs” as well.
- “Never accept a certified check.” Many people believe bank-issued certified checks are as good as cash. In reality they are one of the most commonly counterfeited financial instruments in the world.

Back to the old cliché, if something seems too good to be true, it probably is. We all need to be smart and exercise caution in our everyday business and personal interface with not only our customers but those who are intent on “ripping us off.”

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**Learning how to identify
and deal with ‘scammers’**