

## MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

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### Reviewing the impact of online purchasing and sales

Stop, take a deep breath and relax. I think the political ad barrage is over — but wait, the holiday ad blitz is just starting. Oh well, the advertising media will capitalize on the advertising dollars as the advertisers try to relieve us of our dollars.

I'm writing this column on CyberMonday, and you will be reading it well after the New Year. We just experienced Black Friday and Small Business Saturday, and from all reports the results were mixed. Thankfully, many of the retailers waited until at least the evening of Thanksgiving to open and some not at all.

In our area at least, there was no line of campers waiting for a couple of days for the big box stores to open. In fact, one TV station was at one of the stores that was scheduled to open at 8:00 a.m. on Black Friday. The station was on the air starting at 5:00 a.m., and the TV crew were the only people there. That does not mean that business was slow, but I think it does mean that perhaps the shopping patterns are changing.

I have no idea what the CyberMonday numbers will look like, but I suspect they will be large. Many people have gotten so accustomed to sitting at their desk or kitchen table and placing orders, and perhaps their order waiting for them when they get home, that they have no desire to battle the crowds at the store. Many retailers offer free delivery and if you don't like what you ordered, items can be returned for full credit. This is a sign of the times ... we want instant gratification. As the old statement goes, "Lord, Give Me Patience, and Give It to Me Right Now!"

I'm curious about how online purchasing is affecting reps and their customers. I would love to hear your feedback at [tgunnin@sunrep.com](mailto:tgunnin@sunrep.com). Are your distributors participating? How effective are they in penetrating the market? Are your manufacturers soliciting orders directly? If so, how effective are their efforts, and are you receiving commission on those sales? How involved are YOU in using online media to promote sales with your customer base?

As we move into 2017, we must keep an open mind and approach with each opportunity, whether face-to-face or online, with an attitude of service to both our customers and principals.

Share your thoughts on how we as reps can do a better job in this changing landscape. I'll share the information I get in a later column.

## COMPONENTS

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### How large is the pie? Market outlook and attitude

As we approach the end of another calendar year, industry conversation centers around answering the question, "What happened to the components market this year — was it up or down, and by how much?" This is inevitably followed by "What will next year bring?"

Over the coming days and weeks, manufacturers, distributors, reps, and even industry associations will begin reviewing year-end sales results, completing TAM and SAM studies, reading analysts' reports, and undertaking various other activities to answer these questions.

Once the reports are in, the interpretation phase will begin. Did we outperform the market (which most reports will indicate declined by 2 to 5 percent in North America in 2016)? Which products are the most active — LEDs, sensors, or displays? What are the hot markets — IoT, military/aerospace, medical — and are we engaged in them? If we are not involved in these markets, what should we do to engage?

As the calendar year comes to a close, let me leave you with a little story for your consideration. A salesman, with the fresh optimism of a new year, hurries into a pizza parlor in January and orders his favorite personal pizza with meatballs and mushrooms. (These are my favorite pizza toppings; what are yours?) The clerk asks, "How many slices, six or eight?" (In New York, pizza is always measured in slices.) The salesman replies, "Eight please. I am really hungry today. Better make it to go though, I'm running late and have to get to a customer appointment." Fifteen minutes later, the salesman rushes out with his order in hand; and the aroma of freshly made pizza in the air.

April arrives, the same salesman strolls into the same pizza parlor and repeats his order

from January, to which the clerk replies, “Sorry, we are out of meatballs. People have been eating more vegetables, so we haven’t been keeping meatballs in stock.” Expressing disappointment to the clerk, the salesman relents and settles for a ham and pineapple pizza. Clerk confirms the order, makes the pizza, cuts it into eight slices, and the salesman proceeds on his way, with the clerk’s voice in his ears as he departs, “Come back again soon.”

July rolls around, and the salesman finds himself outside the same pizza parlor, but instead wanders into the health food store next door and orders a salad, thinking, “I need to look into this vegetable trend, plus they were out of meatballs last time anyway.” Pizza parlor clerk sees him through the plate glass store windows, waves as the salesman strolls by and makes a note to himself (and maybe even an entry into his CRM system).

Ninety days or so later, the leaves have changed, and now the sky is cloudy and gray with a hint of snow, and the same salesman shuffles into the same pizza parlor and before he can order his favorite lunch, the same clerk — having already been alerted by his CRM system — announces proudly, “Your meatball and mushroom pie is just coming out of the oven,” to which the salesman replies, “Well, thanks, that’s impressive, but sales have been flat this year and I am a little budget constrained, so I was going to settle for a plain cheese pie today.” The clerk, not to be deterred, offers the premium pie at a discount and looks for confirmation from the salesman when he says, “Eight slices, right?” This time the salesman responds, “I’ll take it, but you better make it six because I don’t think I can eat eight!”

In full disclosure, any similarity of this story to actual events is purely coincidental (Other than the part about meatballs and mushrooms being my favorite toppings; that’s true.). So, what is the point of the story? Simply this: No matter how you slice it, the size of the pie is what it is; and how you address it is largely a function of your outlook and attitude.

Wishing you all happy and healthy holidays and a successful New Year! As always, I welcome your comments and feedback at [ctanzola@fusionsourcing.com](mailto:ctanzola@fusionsourcing.com).

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With the election of Donald Trump as president, the test, measurement and sensor communities are hopeful for an increase in business. There is already a ramp up in aerospace, military and satellite programs that have been sitting idle. There is hope that there will be an increase in funding for some of these programs.

High on the list will be aircraft programs for both new and existing aircrafts. In addition to the components and sensors used on aircrafts, there will be an increase in the flight testing of these planes and vehicles. As the vehicles get more sophisticated and capable, the testing methods get increasingly complex.

On the industrial side of the market, there is an increased emphasis on predictive maintenance systems and sensors. Predominate markets for these systems are the electrical power generation and mining industries. The renewed emphasis in the power generation fields and the increasing mineral prices are the main drivers for the increase in business. Vibration monitoring sensors seem to be leading products in these systems. The cost of replacing generators and cooling fans is a dominant reason for installing these preventive systems. Fixing the bearings in these large motors during scheduled plant outages is far more cost effective than unscheduled repairs and shutting down the facility unexpectedly.

As the year draws to a close, many facilities are looking to start using their 2017 budget money. All indications show that it will be a good year for instrumentation and sensors.

I hope that you all have a safe and happy holiday season. I look forward to contributing more articles in 2017. If you have any questions or comments, I can be contacted at [tom@agtechnologiesllc.com](mailto:tom@agtechnologiesllc.com).

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## INSTRUMENTATION, AUTOMATION & CONTROLS

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### Forecast shows a strong year for instrumentation and sensors

## ELECTRONIC SYSTEMS INTEGRATION

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### New market segments are driving opportunities

2016 has been an interesting year for the audio-video and commercial security markets. Both had growth, but not at the rate that most manufacturers were hoping for. Even though we have seen new players enter these industries hoping to gain market share, low-cost offshore companies have won this battle. This also has led to a reduction in staffing for most rep firms as costs have gone up at a far greater rate than income.

We continue to see adjustments in these markets in the form of acquisitions and new product introductions which are driving some changes in the go-to-market strategies to achieve growth. Some of these new growth opportunities are outside of the traditional markets for the company that makes the purchase, adding more field salespeople into a geographic area for sales coverage.

I am also seeing more hybrid approaches to field sales forces. Manufacturers are finding creative ways to add more salespeople by mixing factory direct salespeople with reps, and in some cases, multiple rep groups in a single territory allowing both to sell the same products. The issue with this is that market separation is becoming less defined between audio, data and security. The lines between these markets are becoming much more blurred together, and in many cases, the same contractor is doing all of these systems when just a few years ago this was not the case.

I am seeing distributors entering markets they are not known for to try to build their customers' market share because their customers are branching out into new markets. They often are looking to reps to help them enter these new markets by sending projects and customers to them rather than selling these projects on the customer's direct account. Overall, I am hearing from the distribution channel that they are not growing at the rate they would like to, while the contractors/integrators are telling me they are having a very strong year, and most have more work than they can handle.

I wish this was really optimistic news, but the reality is that many integration companies downsized in the past years. Therefore, being "booked full" does not mean business is growing in double digits, which is what we are all looking for to recover from the recession.

With the changes in the market players, the lines blurring between market segments and more offshore competition entering our markets, we as reps need to be making adjustments too. We need to be looking at driving our business at the source — the end user. Create the demand wherever we can. Integrators and distributors have so many options for "like" products today that we need to be the ones driving our businesses to pull the business through the channel.

Change has always been in a rep's business life, but it is coming faster than ever before. ■

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