

COMPONENTS

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ERA Conference program helped draw conclusions about this marketplace

I pen this having just returned from the 47th ERA Management and Marketing Conference in Austin, Texas. It was overflowing with valuable information from high-caliber presentations and thoughts to digest, such as: just how much time should my team invest with “time vampires?” (If you attended the conference, you recognize this from Alex Gabbi’s breakout session entitled “The Start-Up Scene.”)

Interestingly, Alex subtitled his presentation “Universe of Opportunity or Black Hole,” and while he was talking about start-ups specifically, after hearing multiple economic forecast presentations, I am wondering if this applies to the components market in general. Regardless of the answer, I am convinced more than ever that, “If you line up all the economists in the world end to end, you never reach a conclusion!”

I make this last statement somewhat tongue in cheek because there were a number of conclusions concerning the components market I reached from the conference.

- 2016 is going to be a challenging year overall — filled with economic headwinds, mixed market signals, continued uncertainty and frequent forecast revisions (most recently in the downward direction).
- Awareness of the global economic drivers is certainly important data and information, but knowledge and wisdom still come from locally developed customer understanding.
- Everything is getting more expensive — except electronic components.
- While electronic content in products continues to increase, the days of double-digit market growth have been replaced by years of “treading water.”
- The pressure on profitability is greater than ever — for everyone (customers, manufacturers, distributors and representatives).
- We have not seen the end of change or disruptive forces in the components market.

As a final note, I want to thank the ERA Conference Committee, the ERA staff, the speakers and presenters, and all the attendees who made the conference a valuable experience — and it truly was. I look forward to picking up the conversations at the upcoming EDS Summit in early May. See you in Las Vegas!

ELECTRONIC SYSTEMS INTEGRATION

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Price drops are yielding a ‘race to the bottom’

Every conversation I have with an integrator or distributor ends up getting around to a conversation about “the race to bottom” regarding product pricing. There are more products coming in from offshore now than ever before at really low pricing in both the AV and security markets. There are no longer many products that stand out with unique feature sets. This blur in the market of “me too products” is further fueling low cost products to capture marketshare from key brands that once were the “top dogs” in a product segment. Brand loyalty is a thing of the past; competing with pricing has replaced brand loyalty for the majority of integrators and distributors.

The economy is still not where it was predicted to be, and that is evident by the limited number of projects being released due to budgets. This seems to also be fueling partner changes in the sales channels. Already in 2016, there have been many changes in sales strategies by manufacturers hoping to grow their monthly and quarterly sales volumes, even for products that have longer sales cycles, by changing their go-to-market strategy.

Several manufacturers that were using reps for many years have gone to a direct sales force model, while others have simply changed long-term rep relationships. I have spoken with several reps who are experiencing market slowdowns for one reason or another and who have been terminated without any pre-termination conversations with the manufacturer about performance. One thing that has not changed for years is, when changes are made in sales forces, sales drop for a period of time. It seems counterproductive to fail to try to work with your long-term partner rather than starting from scratch.

So in closing, I would say 2016 started out being a year of many changes in the industry for reps, and I hope that reps will prosper and be noticed for their value add, with the result being the year ending on a high note.

There are many new innovative products that have recently been hitting the instrumentation, sensor and control marketplaces.

Not long ago, bench top oscilloscopes became available on PC I/O cards. Their bandwidth was limited to the bandwidth of the PC in which they were installed. Now there are handheld measurement devices with wider bandwidths that can be used as RF spectrum analyzers, EMC/EMI and calibrators.

There are many types of data loggers that record various parameters for months and up to a year. Many also come with multi-level alarm levels.

Naturally, temperature and humidity are the most popular, but there is a unique version of temperature that monitors either frozen, chilled or ripening goods. As with other types of loggers, these contain software and USB communication ports to allow a user to generate quick reports. Food transportation and storage industries are prime candidates for this type of product and represent an industry that has previously not used much instrumentation. Many new industries are finding that they can benefit from the use of instrumentation and controls.

All of these types of instrumentation, from a growing number of manufacturers, use representatives to sell their products. Many of these manufacturers whom I have spoken with seek representatives with a highly technical background. They expect to and will pay more commission dollars for this high quality sales team.

To achieve this level of sales performance, individuals will have to develop ever higher technical application demonstration skills on top of professional sales training. The many educational and professional development resources offered by ERA, coupled with the technical demonstration training offered by the manufacturers, will ensure the high level of salesmanship required.

If you have any questions or comments, please email tom@agtechnologiesllc.com.

As I write this, baseball spring training is in full swing in Florida and hope springs eternal in all the baseball camps with visions of a trip to the World Series dancing in the dreams of all. By the time you read this, some of those dreams are probably already nightmares. In the same vein, some of those “best laid plans” that we all laid out early in the year may also have turned into nightmares. That’s especially true if you are heavily into the stock market. The roller coaster ride has, I’m sure, caused quite a few sleepless nights.

What is good for some causes anguish for others. Consider oil and gas prices. We really like the prices at the pump right now when we fill up, but if we own petroleum stock, we are probably one of those with the sleepless nights.

Think about the fact that high fuel costs drove the efforts in the aerospace industry to build more fuel efficient planes. That has brought the aerospace industry to a high point today. Current backlogs are about 10 years deep. The most recent data suggest that Boeing’s backlog was about 5,700 commercial airplanes worth about \$485 billion, and Airbus reported a backlog of 6,787 aircraft worth about \$996 billion. (Side note here: Airbus has opened an assembly plant in the Mobile, Ala., area.)

What does that mean for us? First, all of that manufacturing means that there is the potential for considerable sales in that huge market for the next several years. Second, with all those airplanes going into service, the MRO potential is also huge. Some forecasts suggest that the global MRO market will grow to more than \$100 billion by 2025. The North American share is pegged at between \$17 and \$21 billion. That can help offset the current downturn in the oil and gas industry. I would suspect that downturn will not be long term, so a rebound there, coupled with a strong automotive market, could bode well for us.

Shifting gears a bit, a recent headline read “Consolidation is everywhere.” It highlighted the merger of Tyco and Johnson Controls and some others. Check out some of the distribution changes in our industry. Have you followed the HISCO trail of acquisitions? How about EWD is now Test Equity. Tek Products is now part of VWR. Stanley Supply and Services just assumed the name of one of its brands. That company is now Jensen Tools & Supplies. Some suggest that is a precursor to a sale. Stay tuned. I expect that we will see more in the not too far distant future.

(continued on next page)

INSTRUMENTATION AUTOMATION & CONTROLS

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**More manufacturers are
seeking highly technical
sales reps**

MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

Troy Gunnin

Sun Rep
Tampa, Fla.

**Aerospace industry is
driving new sales and
MRO potential**

RF / MICROWAVE & WIRELESS

Mike Harris
JM Harris Sales, LLC
Apex, N.C.

**While military markets
may be flat, other sectors
should be strong**

Note: much of the information in this column has been compiled from either High Frequency Electronics Magazine and/or Microwaves & RF Magazine.

Electronic Warfare System (EWS) spending is expected to grow at a compound annual growth rate of 3.7 percent for the next eight to 10 years. That works out to an approximately 36 percent total growth from 2014 to 2024. Frequency agile radar systems (airborne platforms and land based) could become the highest priority. Existing system (drones/RPV) performance in an ever more congested and contested RF/microwave spectrum will become increasingly critical design requirements. Overall, DoD spending in command, control, communications computers, intelligence and reconnaissance (“C4ISR”) systems is expected to be flat over the next five to six years.

Seamless connection into the Internet of Things and “5G” systems, with additional embedded sensor capability, are becoming essential. New components and capabilities will, in turn, further occupy available spectra.

All this calls for more comprehensive and better test equipment. Watch as Keysight Technologies, Rhode & Swartz, Anritsu, Tektronix and others turn out test products with new capabilities just ahead of new requirements.

Not to be overlooked are increasing RF/microwave applications in the medical field. Devices can be worn or implanted which communicate at high data rates using the ISM “tri-band” frequencies available at 2.4 GHz, 5 GHz and/or 60 GHz.

While the normally lucrative “military market” may be slow or flat over the next few years, commercial, research and medical business should continue to be strong. Biggest requirements will come from ever increasing RF power needs, higher data rates, extreme component and sensor miniaturization and long-term reliability.

Upcoming trade shows of interest to those in the RF/microwave sector are:

- MTTTS-Integrated Mobility in San Diego on May 19-20;
 - MTTTS-IMS in San Francisco on May 22-27; and
 - MTTTS-RF Circuit Symposium in San Francisco on May 22-24.
- Reps on the West Coast might be able to visit them all.

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