

## COMPONENTS

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**Takeaways from EDS  
drive general optimism  
despite market outlook**

EDS Summit — after several days of navigating the halls, suites, cafes, coffee bars, conference/meeting rooms, and elevators of the Mirage, as well as the EDS Connections Café, I am left shaking my head at how many different ways I heard people say, “The market is flat.” And for those of you who attended the Spark session, “SMH - how many different ways are there to describe the current business condition of the electronic components market? #themarketisflat.”

A few of the key phrases I heard were: treading water, negative growth (How is that different from positive contraction?), stagnant, stationary, anemic, moving sideways and sluggish. I am sure there were others, but regardless of how you describe it, the components sector continues to suffer from an overall lack of sales growth and squeeze on profitability, universally leaving its participants looking for new ways to “make lemonade from the lemons.”

Some have gone the merger and acquisition (M&A) route, hoping to achieve increased revenue, greater market share, expanded customer base or broader technology offerings. This seems to be independent of product type — with widespread M&A activity in essentially all component areas.

Others have made structural changes to their organization by either reducing expenses or making investments for organic growth (and sometimes both). In more than half the meetings I attended at EDS, a primary topic of discussion was the latest personnel reorganization at either the manufacturer or distributor. Coupled with that, a similar percentage of the conversations with fellow members of the representative community involved consistent reports of contractual revisions by their principals and changes to their manufacturers’ sales force models or channel partner lineups.

Manufacturer, distributor or representative — every industry participant I spoke to at EDS — commented not only on the effects they have seen on their business due to one or more of these phenomena, but how widespread their occurrence is. It seems the industry is looking for the holy grail of growth within a business climate that is, dare I say it, flat.

One definition I have read describes a flat market as one “devoid of volatility.” If “volatile” means liable to change rapidly and unpredictably, then the electronic components market is certainly not devoid of that. So that being said, in another sense, the market is anything but flat.

Clearly, the rate of change in our business has accelerated. Jack Welch is credited with saying, “If the rate of change on the outside exceeds the rate of change on the inside, the end is near.” Yet, my sense from EDS was not that of “gloom and doom” and the end is nowhere near, but rather a general optimism for the future despite the current market reality.

In closing, I recently was visited in my Ithaca office by a local TTI salesperson, Kristin Bott-Seifritz, who reminded me that, “Flat is the new up.” Thanks for that reminder, Kristin. To that, I would add a corollary: “Change is the new constant!”

Perhaps we have all become very capable of managing rapid change, or better yet, adept at creating it. What choice do we have? I welcome your comments and can be reached at [ctanzola@fusionsourcing.com](mailto:ctanzola@fusionsourcing.com).

## ELECTRONIC SYSTEMS INTEGRATION

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**Market changes pose  
continued challenges for  
electronics reps**

Our industry has, and is, seeing a lot of changes. Mergers and acquisitions seem to be at a heightened pace with companies almost desperate to grow in 2016 by acquiring market share by purchasing complementary or competitive product lines to expand their sales. The size of the market does not seem to be enlarging at the rate manufacturers want to grow, so taking market share from others is the only way to gain growth.

There is also a heightened number of new products being brought out by manufacturers to keep up with competitors, again looking to take market share and pioneer IP products into the AV space. Dante protocol is becoming the standard for AV, and many products are now available with this protocol. There has been a drought of new products, so all these new products are welcomed by manufacturers’ rep firms. It is all about dislodging an incumbent to gain business to grow in 2016, and competitive products are welcomed.

I predicted that there would be a market adjustment with acquisitions and so many companies competing for the same market dollars in AV and security, and it seems to be happening. Tyco just merged with Johnson Controls adding them to its company collage of Simplex, Tyco IS, ADT and now JCI. Cannon has added 2N to its company acquisitions of Mile Stone and Axis CCTV. I wonder if and when these organizations will consolidate their sales teams? We have seen some of that in 2016 as well. Companies are changing to a direct sales force from reps, and direct companies are going hybrid by adding reps to their direct sales people to add feet on the street.

The bottom line is that market opportunities drive business and sales, and they vary by region.

As an example for us, the oil companies in Alaska have pulled back on all projects due to lower gas prices and basically killing Alaska's business for us. With the tornados and flooding in Texas and other states, I am sure there are other areas experiencing the same business environment slow down. Plus, the election year is not helping people feel great about the economy and the country in general.

What is the winning sales formula for an election year like the one we are having, which is like one we have never seen before? I think manufacturers are still holding off on bringing their manufacturing back to the U.S., but I hope they have plans ready to do so. Europe and China are having real financial issues, which we need to be ready to deal with to keep our electronics manufacturing industries strong.

On the integrator side of things, we are seeing datacom and high-voltage companies getting more involved in the low-voltage business, both AV and security. Anixter in Canada just launched an AV division. How long before they bring this to the U.S.? Everything is connecting to the network, so IT is involved as well. They don't see these systems as an issue to maintain, and in some cases, to install. Again, to grow their businesses, electrical contractors are launching low-voltage divisions or buying low-voltage companies to take advantage of more of the project scope, and I don't see this changing.

Distributors are working hard at partnering with national accounts and key accounts in a region to capture more of their overall business. I don't believe distributors are brand loyal, so it is up to us reps to drive the business for our manufacturers.

The rep role has changed, and I believe it is still changing. We now are being asked to do a lot more new business development activities along with what we have done in the past. Reporting is taking a ton of time away from our sales efforts. As commissioned salespeople, if we don't sell, we don't get paid. It seems our manufacturers want more and more of our time without increasing our commission. I have been asked by several of my peers, "What is our role today, and how do we pay for all of this non-sales activity?" Great question.

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The recent crash of EgyptAir 804 over the Mediterranean Sea brought to light an older type of instrumentation system that rarely has been mentioned during airline crash investigations. This system is called ACARS or aircraft communication addressing and reporting system. We are much more familiar with the flight data recorder or "black box," which records a multitude of the individual aircraft performance parameters during its flight.

ACARS is actually a digital datalink transmission system that passes short messages between aircraft and ground stations. This can occur via multiple means such as airband radio or satellite. It was the ACARS system that reported smoke coming from one of the lavatories and the avionics bay.

Given this renewed attention to ACARS use, there is an opportunity to upgrade the infrastructure of airborne transceivers and the receiving ground station. There is an opportunity for a technology refresh on both the system component level as well as the test instrumentation side.

Regarding the flight data recorders, these devices are regularly being upgraded. With newer technology, more data can be acquired and stored in the same footprint. Better thermal and environmental specifications are being built into the same form factor. This is another opportunity for instrumentation to test the performance of these devices.

These improvements show why it is possible for a flight data recorder to perform at 50,000 feet in the air and survive submerged at an estimated 12,000 feet under water. This range encompasses a wide spectrum of pressures and temperatures.

The protocols for ACARS and the communications buses that fly on various aircrafts have been developed for many years by ARINC (Aeronautical Radio, Inc.). ARINC was established in 1929 and has developed many standards that other suppliers to the Aerospace market must adhere to.

Many manufacturers of hardware for the equipment used on aircraft, and to test it, use representatives to present and sell their products. This is a very stable market segment that should be looked at if the opportunity presents itself.

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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**New opportunities for  
reps arise in aviation**

## MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

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### Internet of Things drives smart connectivity and emerging opportunities

What is this Internet of Things (IoT) we speak of? In the very near future this is what your day may look like.

It is 6 a.m. Your alarm clock wakes you and has already turned on the coffee maker so your coffee is waiting. You have a 9 a.m. meeting across town. You get into your self-driving car and the garage door opens automatically. As you exit your house, the AC automatically adjusts to an energy saving mode, the security alarm is set and all the doors are locked. Your car has access to live traffic information and automatically takes the best route to your meeting. After the meeting, your car takes you to your office where the door automatically opens as you approach. The office lights are on, the office equipment is ready for use, and if supplies are low, they are already on order from the office supply store. Your messages are prioritized, and based on previous interaction, answers may already be prepared for your approval.

The floor of the factory also is completely automated. Materials come to the manufacturing floor at exactly the time required. Completed materials are tested, packaged and shipped to their destination. Should there be a malfunction, the system is automatically diagnosed and repairs instigated immediately. In fact, the problem has likely been anticipated and corrective action already taking place.

Your work day is finished and the procedure reverses. Your car takes you home and as you approach, the garage door opens. The lights are already on and the temperature is adjusted to your liking. Your favorite TV or entertainment options are activated and your favorite beverage is waiting. Fantasy? I think not.

The new rule of the future will be: "Anything that can be connected, will be connected." The smart connected objects at the heart of the IoT are permeating the full range of consumer and industrial applications. The objects may differ, but they all need to communicate.

It is estimated that by 2020, the number of connected devices will have surpassed the number of people in the world and reach some 50 billion, representing 6.58 devices per person. Just a few of the applications include vehicle, asset, person and pet monitoring and control, agriculture automation, security and surveillance, building management, M2M, wireless sensor networking, smart cities, telemedicine and healthcare.

Gartner Research is forecasting IoT-related revenues in 2020 to reach \$262 billion for apps and analytics; \$18 billion for computation and storage; \$17 billion for communications; and \$21 billion for the "things" themselves.

Gartner is also predicting that global spending on security devices that fall under IoT will reach \$348 million this year. That is a 24 percent increase from 2015.

The "Cloud" is driving the smart connected world. "Things" become more valuable when connected to the Cloud. There is a clear cycle here. The Cloud and data center, the IoT and memory are all bound together by connectivity. This is pretty well pointed out by a recent move by industry giant Intel. It announced in April a restructuring initiative to accelerate its evolution from a PC company to one that powers the Cloud and the IoT. It sees data centers and IoT as Intel's primary growth engines.

As reps, we must keep our eyes and ears open for emerging opportunities and be ready to grasp them and evolve as our industry most certainly evolves. ■



Don't miss this issue's  
**CLASSIFIED ADS**  
on pages 33-34.