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Top independent distributors

From resellers to supply-chain partners



NEWS



DISPLAYS



ENCLOSURES



WHAT'S NEW

GEOGRAPHIC EXPANSIONS, INVESTMENTS IN QUALITY DRIVE GROWTH

Leading independent distributors are positioning themselves as a vital part of the supply chain, as they continue to focus on quality assurance, counterfeit detection, and inventory management partnerships.

By Gina Roos

Global sales for the top 10 independent distributors grew by \$172.2 million or 11% percent, reaching \$1.75 billion in 2010, partly due to severe component shortages as the industry started to recover from a global downturn that began in the fourth quarter of 2008, according to Electronics Sourcing North America's (ESNA) survey of leading independent distributors.

In 2010, the supply chain struggled to keep up with demand, as component manufacturers cautiously increased production capacity, resulting in extended lead times and allocations across virtually all product areas.

Nearly all of the top 10 independent distributors posted higher revenues in 2010 with the exception of Smith & Associates, which attributes the decline to its exceptional sales in 2009. The distributor reported revenues of \$437 million in 2009, increasing sales 41 percent over the previous year. In 2009, five of the top distributors posted sales losses.

This year, you'll notice that Converge Inc., ranked number 3 in 2009, is not included in the top 10 ranking. Arrow Electronics, a leading franchised global distributor acquired Converge in 2010, and reported the independent distributor's sales as part of its global revenues last year.

The top five independent distributors virtually remained the same in 2010. The top two distributors - Smith & Associates and Advanced MP Technology - switched rankings this year. Advanced MP, ranked number one with \$382 million in sales, was followed closely by Smith & Associates, which posted \$380 million in revenues.

With the loss of Converge, America II Electronics (rank 3), Fusion Trade

(rank 4), and Classic (rank 5), all moved up one position. Rand Technology joined the top 10 ranks at number 6 with \$100 million in revenue.

The largest share of sales for the top 10 independent distributors was derived from semiconductors at \$1.1 billion, or 61 percent of global revenues. Sales of the top distributors for interconnects, passives and electromechanical (IP&E) reached \$482.3 million, or 28 percent of all sales. Top distributors posted computer product sales of \$158.3 million.

Thanks to overall strength in the electronics industry, several top independent distributors made significant investments in geographic expansions in 2010.

Advanced MP Technology expanded in France, Germany, China (Shenzhen), Brazil and Mexico. Fusion Trade doubled the size of its European office, tripled the size of its Hong Kong warehouse/quality hub and established an on-site presence in Guadalajara, Mexico.

Classic Components expanded in India and Asia, and Rand Technology expanded in Europe, Asia as well as North and South America.

Classic also made some sizeable investments in new inspection capabilities that included purchases for in-house X-ray capabilities. 4 Star Electronics also invested more than \$200,000 in quality-related equipment and plans to continue investing in leading-edge technologies to improve the company's capabilities. Stealth Components focused on upgraded technology, implementing a new enterprise database system and new phone system.

Key challenges this year, say distributors, include product availability, extended lead times, counterfeit components, and raw material price increases. They also say quality/supply assurance is a big issue for 2011, citing "credibility concerns regarding quality of open market products."

Top 10 Independent Distributors

Rank	Company	2010 Global Sales (\$millions)	Percent change from previous year	# of employees	% of total sales					
					Active Components	Passive Components	Electro-mechanical	Interconnects	Computer Products	Other
1	Advanced MP Technology	382.0	30%	272	50	27	4	10	9	0
2	N.F. Smith & Associates, LP	380.0	-13%	307	75	20	0	0	0	5
3	America II Electronics Inc.	300.0	26%	600	75	20	1	3	1	0
4	Fusion Trade Inc	250.0	7%	100	48	30	0	2	20	0
5	Classic Components Corp.	205.0	4%	265	68	19	2	6	2	3
6	Rand Technology	100.0	18%	70	80	5	5	5	5	0
7	Horizon Technology	60.0	15%	100	10	0	0	0	90	0
8	World Micro Components Inc.	30.0	50%	66	25	20	15	20	20	0
9	Stealth Components Inc.	23.0	207%	63	N/A	N/A	N/A	N/A	N/A	N/A
10	4 Star Electronics Inc.	18.0	58%	43	30	50	2	8	10	0

Source: ESNA

Top Independent Distributors

people difficult to find products and providing creative solutions for cost savings and for inventory management," said Barnhill.

Barnhill believes 2011 will be a better year than last year, or at least just as good. "We see across the board demand in every segment of our customer base for both commodity items and our service business," he said.

He also says opportunities created by the earthquake in Japan will drive growth in the third or fourth quarter "when companies want to

3. AMERICA II ELECTRONICS

America II is on a quest to show OEMs and electronic manufacturing service (EMS) companies, one at a time, that the distributor lives and breathes quality.

"My main goal is to get every large customer to conduct a site audit of America II because seeing is believing, and it takes away the concern about purchasing from non-franchised distributors, at least from America II," said Jim Magee, president of America II Electronics Inc., St. Petersburg, Fla.

But Magee says you can't just say you're a quality organization, "you live and breathe quality as part of the culture."

And last year's shortages certainly gave America II the opportunity to prove it.

"Availability of quality product was the biggest challenge as lead times extended," said Magee. "That's why we performed so well because we are inventory-centric. When you decide to be an inventory-centric company you have to develop processes to support inventory management and inventory acquisition."

"The second biggest challenge is keeping the independents separate from the broker channel in terms of a quality testing perspective," said Magee.

As part of its quality focus, America II has invested a great deal of time and money into bringing in a third-party test facility inside of the

4. FUSION TRADE

Fusion Trade's philosophy about quality mirrors what most leading independent distributors say is one of their biggest, if not, top concern. The distributor also made a concerted effort about five years ago to take a customer-focused approach to its business in order to build relationships with its customers.

"Customer quality comes first in our entire organization," said Carleton Dufoe, vice president of trade, Fusion Trade, Andover, Mass. "Quality is a major aspect for every one of our customers. When they are transacting with the open market they want to make sure that they are getting good quality products each and every time."

"What we have now is true customer relationships instead of that of a broker just trying to sell them parts," said Dufoe.

"Our quality process starts with our vendor qualification process," said Dufoe. "New vendors go through a very strict vendor qualification process and product goes through a vigorous inspection process."

Fusion has two counterfeit detection labs, one in Wilmington, Mass. and the other in Hong Kong. The Anti-Counterfeit Screening and Analysis Laboratory enables the distributor to conduct both destructive and non-destructive screening and analysis.

The distributor's vendor verification process and vendor rating system includes site audits, a 21-point receiving inspection process where all components are documented and audited as well as a counterfeit avoidance program that includes 100 percent traceability using database comparisons and manufacturers' specifications.

This new business philosophy also helped Fusion Trade have a

make sure they have product to build with."

"You will see more traditional-type shortage situations where you'll see some prices getting driven up and heavily allocated product in third and fourth quarter," Barnhill said.

To help keep up with demand, Smith & Associates opened two new offices in Taiwan and Singapore, and is now looking to expand in North America and Asia. Head count also has increased slightly over the last year.

America II Electronics at a glance

Headquarters:	St. Petersburg, Fla.
2010 revenues:	\$300 million
# of employees:	600
% of value-added sales:	10%
Key expansions in 2010:	Started to duplicate its test house efforts in North America at its Singapore location.
Key challenges in 2011:	Availability of quality product and keeping independents separate from the broker channel

company's Florida facility. In place for three years, the solution, called Premier Semiconductor Services, offers a host of quality and counterfeit detection services including CCAP counterfeit testing, x-rays, decapsulation, solderability, and electrical testing.

America II says it didn't see an increase in counterfeits last year because it has a tough vendor qualification process and an even tougher vendor suspension system. America II has suspended more than 4,900 suppliers for counterfeit parts over the company's history.

America II attributes its 26 percent growth rate in 2010 to several factors including component shortages, higher average selling prices (ASPs) and some of the big EMS companies trimming their vendor bases.

Magee says 2011 will be an investment year for America II, expanding infrastructure in Asia, and potentially in Eastern Europe by the end of the year.

Fusion Trade at a glance

Headquarters:	Andover, Mass.
2010 Revenues:	\$250 million
# of employees:	100
% of value-added sales:	16%
Key expansions in 2010:	Doubled the size of its European office, established an on-site presence in Guadalajara, Mexico and tripled the size of its Hong Kong warehouse/quality hub
Key challenges in 2011:	Increased counterfeit activity, raw material price increases, persistent product shortages

very positive year coming out of the economic crisis.

"Lead times were stretched out because manufacturers were running very lean after they cut costs over the last two years," said Dufoe. "It created a tremendous amount of opportunities for a company like Fusion and other independents."

There also have been some very quick shortages for some passives such as inductors and other devices including diodes in 2011, said Dufoe.

But the big issue for buyers was cost. Devices that normally traded at tenths of a cent were trading anywhere from 15 to 25 cents, said Dufoe.

There could be more supply issues ahead as component manufacturers obsolete some component lines ahead of schedule due to production problems caused by the Japanese quake and tsunami in March.

As a result, many customers are reviewing their projects for the next year and five years out, said Dufoe.

He expects continued growth across all sectors as well as in all repair segments, which has been on a growth path for the past 18 months.