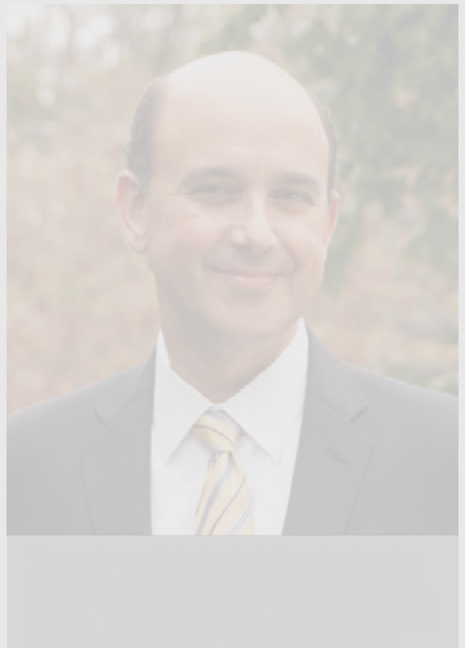
selling the car to the customer," he said. He added that car makers often promise a 15- or 20-year repair cycle and many parts may not be available for the entire repair cycle.



In some cases distributors can partner with the original component manufacturer (OCM) to extend the life of the semiconductor.

Karalias said Rochester partners with some OCMs. In one recent example, an OCM decided to end-of-life a product used by the automotive industry, he said. However, the manufacturer "did not issue the traditional life-time buy ultimatum," that frequently occurs when an EOL notice is issued.

Instead the OCM decided to extend the life of the semiconductor's availability by partnering with Rochester and informed their customers that support for this component will be available indefinitely, said Karalias.

By working with Rochester to make sure that the part would be available for as long as is needed, the component manufacturer realized an increase in revenue due to the component's continued availability, according to Karalias.

While EOL parts are becoming a bigger issue for more industries as electronic components are used in more equipment, management of obsolescence is becoming more efficient.

"Original component manufacturers are doing a better job of EOL notification and having replacement technologies in the pipeline prior to the last-time-buy dates," said Ellison. "It really comes down to the customer's ability to react to the EOL notice and balance the end product life cycle."

He said some distributors can help bridge the "re-design gap between old and new technology and take an inventory position on behalf of the customer."

Ray of TTI agrees that suppliers and distributors have better EOL processes, "including communication methods that allow us to deal with the obsolescence issue more effectively and efficiently," he said. "These improvements may make it seem better, but make no mistake about it, if the product going obsolete is on your BOM, it is never better."

That's for certain.

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James Carbone is a freelance writer covering the electronics supply chain. A veteran journalist, James was a writer and editor for *Electronics Purchasing* and *Purchasing* magazines for 21 years. He covered electronics distribution, semiconductors, passive components and connectors for the magazines. He also wrote extensively about the strategic purchasing strategies of electronics OEMs and electronics manufacturing services providers. Before covering the electronics industry, James worked as a reporter and editor for *United Press International* for nine years. He started his career as a newspaper reporter and photographer. James is a graduate of the State University of New York at Albany.

America II adds more franchise lines

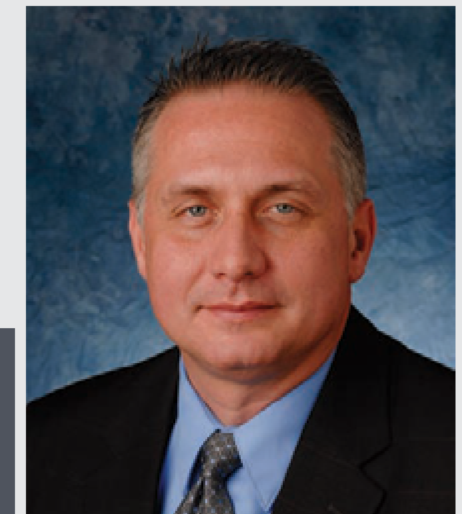
For years America II was an independent distributor, selling parts to buyers looking for hard to find components because of shortages or to opportunistic purchasers looking for better price for parts.

However, America II's business model is evolving and the St. Petersburg, Fla., distributor is adding franchise lines to its portfolio. It has about 25 franchise agreements with component manufacturers and plans to add 60-70 more by the end of the year.

In January and February, it signed franchise agreements with Panjit Semiconductor; Marl International, an LED manufacturer; Masach Technologies, a manufacturer of board level EMI/RFI shields and Panda Crystal Technology Corporation, a manufacturer of quartz-based timing devices. As of late February, it was in negotiation with about 40 other component manufacturers, a company spokesman said.

In addition, America II buys directly from about 200 manufacturers periodically, although it does not have formal franchise agreements with them.

America II is using a "technology matrix" to determine which lines to add, according to Brian Ellison, president of America II.



"We are projecting to hit $300 million this year in sales. We had 17% growth last year," said Brian Ellison, president of America II

"It is based on typically what you would see on a customer's bill materials," he said. "I want to make sure I have three good crystal oscillator guys, three good connector guys, etc. We are branching out and have had great success in displays and with wire and cable harnesses," said Ellison.

While America II currently derives about 10 per cent of its revenue from franchise lines, it expects that percentage to grow to 30 per cent in the next five years. In fact it expects franchise lines will help the company reach its goal to have $1 billion in sales by 2020," said Ellison.

"We are projecting to hit $300 million this year in sales," he said. "We had 17% growth last year."

Ellison said franchise lines will help America II attract new customers, as well as help it get "broader and deeper" with its current 6,000 customers.

Ellison said both suppliers and customers have reacted favorably to America II adding franchise lines. He said many component manufacturers feel they are not being serviced by large distributors.

"Some of these component manufacturers have $100 million in sales or less annually," said Ellison. "If they are on one of the big distributors line cards, they probably are not a premier line for them and they don't get a lot of attention."

However, it's not just small component manufacturers that may feel underserviced by large distributors.

"There are some billion dollar plus component manufacturers out there that have product lines within their offerings that are not being serviced by the big box franchises," said Ellison. He added America II has been approached by several large manufacturers to consider offering their products.

Ellison said there are also customers in the second and third tier who feel they are underserviced as well by large distributors.

Adding new franchise lines is only part of the distributors plan to aggressively grow sales.

Over the past 12–18 months, America II has made investments in infrastructure and people to support its supply chain. In 2014, it grew headcount in the Americas, Asia and Europe by 30 per cent, 57 per cent and 64 per cent respectively.

"We have spent a lot of time, money and effort making investments in the company," said Ellison. "We've upgraded our warehouse capabilities and we've added a lot of people over the last 18 months in key marketplaces particularly in Asia because of the sourcing capabilities there."

The distributor has put in place global sourcing, supply chain management, and sales teams and added component engineers.

It is also expanding services, although it already had bonded inventory programs, EDI, IC programming, tape and reeling in addition to a test lab to handle failure analysis on parts.

Arrow to acquire Taiwan distributor

Arrow Electronics has expanded its footprint in Asia with the acquisition of ATM Electronics Corp., a component distributor based in Taiwan.

Arrow said the acquisition will enhance the company's embedded processor, power management, passives, electromechanical and connector products business in Asia.

ATM Electronics Corp. is based in Taipei, Taiwan, and has about 280 employees and annual sales totaling about $500 million.

The acquisition will expand Arrow's presence in Asia and strengthen the distributor's relationships with key suppliers, according to Michael J. Long, chairman, president, and chief executive officer of Arrow.

"This transaction should enhance our market position in high-growth verticals, including IoT, power, and wireless," he said.

The acquisition, which is subject to regulatory approval, is expected to close in the second quarter.