

## An alternative technology-based pan-European sales channel

*Colin Holland discovers a collection of companies working together to provide an alternative route to market for component manufacturers.*

Advanced European (AE) has just celebrated its second birthday and was formed out of a need for independent distributors to be able to provide a pan European alternative to the existing multinational distribution groups. Gordon Serpis of AE explained that with the largest technology distributor having moved in to the broadband sector it is clear that a place existed for a true design led pan European distribution/rep group

The AE organisation was an initiative of the UK-based 2001 Electronic Components who found a need amongst certain lines, both start up and established, to provide an alternative to the existing broad approach offered by the other multinational distribution groups.

Niche lines specifically were looking for sales channel coverage across Europe but not relishing the idea of having to meet with, research and interview several candidate distributors. AE provides such lines with single fix to an effective European sales channel.

The AE organisation is a legal entity and was originally formed by six distributor/representative, five of whom are independent. It has just added its seventh member, Computer Controls of Switzerland which also provides coverage of Eastern Europe.

The criteria for partners is that they are (preferably) independent, technically focussed and command a leadership position in their region with a product base that is niche and specialised. The result being that AE has a partnership of some of the biggest independent distributor names in Europe. The partner companies retain their status as separate companies.

The activities of AE are that it meets once a quarter with a partner hosting the meeting in his region. The agenda is full and consists of discussions and presentations on industry trading and market statistics, new product discussions and introductions, regional briefings, supplier presentations and market intelligence and rumour.

Considerable market knowledge is shared and actions agreed in terms of approaching new lines, group cost reduction programmes etc.

"Perhaps the most important aspect of our activity," said Serpis, "is the 'networking' initiatives that AE provide. To meet regularly with like minded colleagues and share their knowledge and experience has already provided each partner with measurable advantages."

The Partners existing relationships and contacts have been

used to good effect in introducing new lines to each other with lines knowing that each AE partner is going to be similar in culture and approach.

Major successes so far include a pan European deal with Sanyo, expansion of the Sony Ericsson GSM module line to four partner companies and an increased move in to wireless based products.

Founding members were 2001 Electronic Components covering the UK & Ireland; Alcom covering Benelux; Compref in Italy; Hy-line covering Germany, Austria & Switzerland; Matrix covering Spain, France & Portugal; and Micro Puissance in France.

The latest member, Computer Controls, was formed in 1991 and has established a reputation for providing a range of services on electronic components, EDA software and instruments for test and measurement. As well as its main operation in Zurich Switzerland, it also has 18 companies in Eastern European. These service component markets in the rapidly expanding eastern economies including Hungary, Czech Republic, Slovakia, Romania, Croatia, Poland, Russia and the Ukraine.

Roy Greer, chief executive of Advanced European as well as managing director for 2001 Electronics Components, said, "With the continuing growth of the EU and the steady flow of contract manufacturing to the 'eastern block' this agreement is of huge strategic importance for the long term development of the group. We are extremely happy to welcome Karl Untersander's operation into Advanced European which gives us coverage into virtually all of Europe."

Advanced European aims to serve customer needs throughout Europe, where technical innovation is essential. Its objective is to strengthen each of the distributors by working with the industry's most advanced and innovative manufacturers.

For customers and suppliers it ensures local identity and culture first and group strength next. It is dedicated to the implementation and supply of high technology electronic components.

Advanced European now has distribution companies in 8 strategic countries and sales operations in a further 18 European states.

With group sales of around 150million Advanced European has already established itself as a leading European based electronic component distribution group and the longer term plan is to look for additional partners in Israel and the US.

## Advantages from extensive stock

America II is an inventory led company with some \$850million of stock and sales operations in UK and Germany as well as a partnership with Acxel Electronics to provide representation throughout Italy. It is headquartered in St. Petersburg, Florida and has other facilities in Mexico and Asia.

Analysts seem to agree that the electronics market in general and semiconductors in particular are seeing much more buoyant trading conditions. Some key market sectors are seeing substantial upturns, notably telecomms, automotive and some key consumer areas, eg digital cameras, mp3 players etc. This has led to shortages in key areas, notably FPGA, Flash memory, SRAM, analog and even some discrete parts. Andy Groom, managing director of AmericaII Europe, says it is the size of its stock that places it in an ideal position to repair the supply chain when normal channels break down.

Allocation is a word which many manufacturers are trying to avoid, says Groom, possibly in the hope this will prevent the double and treble ordering seen under similar conditions before. However, there are some products which are on effective allocation, notably Flash memory from one or two suppliers. Other parts are probably more accurately described as being on longer lead times than hitherto.

Many major consumers of electronic components, especially the global EMS players, are present throughout the world. Having a business presence in the geographies where these important companies manufacture enables the component supplier to engage on a strategic platform. Businesses, both suppliers and consumers, get economies and benefits from worldwide trading agreements and, according to Groom, America II, being a truly international company can fully engage in these programmes.

Good companies focus their activities around their core competencies. America II has some 3billion components in stock representing some 200 manufacturers. "This provides our customers with the opportunity to purchase competitively when they need to as well as maintaining the supply chain during times of shortage. Whilst technical support is of course on industry requirement, America II is very much in the business of demand fulfillment," added Groom.

Groom believes that web sales still seem to be their infancy in the electronic component supply environment, undoubtedly there's much more to come. "And this will include internet auction activity, something which has gained some importance in recent times."

## Support still important for lower volume customers

RS Components, which is also known as Radiospares in France, Radionics in Ireland and Amidata in Spain, has sales outlets in most European countries. All businesses sell through catalogues on paper and CD-Rom and via the Internet. It has over 300,000 products regularly in stock and in the largest companies availability is over 99% of individual products ordered and 97% of complete orders are in stock. In many markets a network of trade counters around the country stock the most popular products, for immediate fulfilment.

Colin Holland sought out its views on distribution in Europe and initially asked what advantages having a Pan-European presence brings to the RS organisation?

Kevin Clark, group E-procurement manager explained that the advantages could be seen from many viewpoints - customers, RS's, suppliers to RS, third party eProcurement vendors, shareholders etc.

From the customer's position there is a common view of the supplier - known logistical capabilities, similar product ranges, known service levels, easier supplier relationship management. A pan-European presence also provides an opportunity to consolidate suppliers and to negotiate European terms.

From the RS side multiple geographies provide economies of scale, access to large corporate accounts, increased access to Pan-European market knowledge of trends/technology developments in procurement, logistics, customer needs. The extent of operations also enables it to be viewed as a market leader by all parties.

Clark also believes that technical support is extremely important to the customer. "Selecting the right product within the minimum time and easing the sourcing process will enable customers

to reduce costs and focus resource on their 'day' jobs. It is also important to offer alternatives and check product capabilities which enables RS to discuss the possibilities with customers and solve their problems." RS has a central repository of information, which is easier to keep up to date and has staff with extensive experience. The service is provided for free and reduces the need for customers to build the knowledge base. "We supply technical support as part of our supplier relationship management processes and this two way communication process builds stronger customer relationships," added Clark. "It is resourced to support all customers within closely managed service performance measures and continuously developed to improve service levels offered."

One area of customer support that RS is taking seriously is helping customers understanding the upcoming waste and hazardous substance/recycling legislation. Mick Parker, the RS Components RoHS project manager, said, "The RoHS & WEEE Directives have taken a number of Distributors by surprise, perceived to be mainly an issue for manufacturers and high street retailers. RS recognised early on that RoHS & WEEE would have a significant impact on the electronics industry and therefore on distributors."

The first stage with an issue of this magnitude was to quickly understand the detailed requirements. RS has consulted closely with ERA Technology, ICER and other bodies in order to understand the Directives and assess the consequences. "RS has been an active participant in the AFDEC 'lead-free' group since its inception. We also spoke to a number of suppliers and customers in order to obtain their perspectives," added Parker.

Having done this the next stage was to engage the attention

and support of senior management. A series of presentations were made to the Group Board and the management of every RS operating company. "The objectives were very simple; establish a common level of understanding, communicate the implications of the Directives, and obtain support for the project."

Once the project was 'mobilised' one of the key challenges was to decide who within the organisation needs to know about RoHS & WEEE, in how much detail and when? An internal communications programme combining presentations, intranet content, hand-outs etc. has been initiated to inform all customer facing staff of the Directives.

More additional detailed training has also been arranged by RS in conjunction with ERA Technology for its technical support staff.

At this time there is a limit to the amount of information that Distributors can give to customers. Many manufacturers have not made public their compliance plans or commenced delivery of compliant stock.

Parker said, "Consequently RS is focussing its customer communications on raising awareness of RoHS & WEEE, and identifying relevant sources of information and advice. In the UK there are some excellent sources of information available on RoHS and WEEE (e.g. ERA, Envirowise, Soldertec, National Physical Laboratory etc.) and we would encourage our customers to consult these for advice on their specific circumstances."

This is a rapidly evolving subject and the best way of keeping customers informed is through a web-site, consequently the RS web-site will be regularly updated with information on this important subject.