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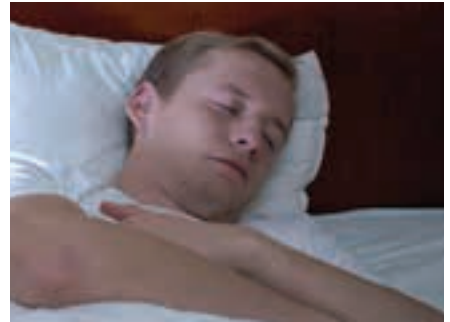
SUMMER 2016

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SUMMER 2016



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“It’s a dog eat dog world out there, and some days I feel like I’m wearing milk bone underwear” — a popular saying by the famous character Norm from the NBC sitcom Cheers — describes how many sales representatives feel today.

Selling organizations and sales strategies/models have been challenged and under attack for years. When times are good, you are great. When times are not so good, well, the proverbial finger always seems to find its way to point to you.

During the 2016 ERA conference held in Austin, one topic addressed was the challenges facing the sales representatives model as we see it today. The big questions: What is the logic behind these pressures forcing component manufacturers to reduce their “cost of sales” to remain competitive in the North American market? What is the analogy behind the forces that are driving these reductions in cost pressures? How are sales representatives a key component of a manufacturer’s “cost of sales?” Finally, staying relevant — why sales representatives must constantly innovate their selling approach?

Peeling back the onion, one has to look at the declining average selling prices (ASP) over the past 15 years, benchmarked against their actual cost. Comparing standard manufacturer suggested resale pricing (MSRP), the ASP shows a decline of about 65 percent, versus a unit cost decline of only 40 percent. The difference comes out of a component manufacturer’s profit. Ouch!

Driving this ASP reduction are the usual forces: globalization of pricing through the philosophy of “the world is flat.” Responsible parties include distributors, customers, and contract manufacturers all looking to leverage the best price across geographic regions. Additional forces include “everything is cheaper built in Asia,” Walmart’s popular message of “Everyday Low Price,” disruptive technologies and even the Asian culture.

SG&A (Sales General Administration) is a key component of any publicly traded companies’ income statement. Essentially, it is made up of sales, marketing, finance and the general administration (president and executives). The sales representative commissions fall under sales (above the line). When profit is squeezed through the forces above and companies cannot reduce their product costs in line with price declines, they resort to looking at other areas on their income statement where costs can be reduced.

SG&A is one area that has received a great deal of attention. For most publicly traded companies in the component industry, SG&A has been on a steady decline for the past 20-plus

When times are good, you are great. When times are not so good, well, the proverbial finger always seems to find its way to point to you.

years. SG&A enjoyed some of its highs in the mid-80s, averaging 25 percent to 38 percent, where today it can range from as low as 8 percent to as high as 25 percent. The decline in SG&A directly translates to higher visibility and tighter control on sales representative commissions.

Foreign philosophies

As the world “flattens” globally, some of these global philosophies from outside North America come with them. One example is the Japanese culture. Historically, the Japanese culture places a much higher value on “engineers” over “salespeople.” As more Asian companies sell into the North American market, they bring these philosophies with them. The result: a silent “Asian force” subjectively driving more pressure for a lower cost of sales (SG&A).



About Tom Wichert

Tom Wichert, vice president of sales at TDK-Lambda Americas, has extensive experience in managing a complex multi-tiered sales channel, as well as executive experience in international and domestic sales. Tom specializes in strategic relationships, business plan and new product development. He enjoys managing and mentoring people to perform to the best of their abilities. Tom has an MBA in Marketing from Hofstra University and a B.S.E.E. from West Virginia University.

You can call Tom Wichert at 631-967-3001, or email him at tom.wichert@us.tdk-lambda.com.

(continued on next page)

COVER STORY: Cost of Sales

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So, when the sales representative model is viewed as the “glass half empty,” their sales model looks doomed. However, when taking a second look at the “vast” geographic area of North America, it is just the contrary! The North American market has many intrinsic benefits that accent the natural strengths of the sales representative model. It is a country deeply rooted with many different cultures and values. It is similar to Europe, just that the USA is a “United” group of States in America. The region is comprised of many small to mid-size customers. Local relationships are considered a “value.”

In contrast to Europe, the North American market is a distribution “friendly” environment. From a design-in perspective, it is one of the most competitive and largest electronic

component markets in the world, driven by a myriad of competitive choices — price, service and technology.

To see the natural strengths of this sales

representative model, you have to review the history. When you hear firms talk of their history, they usually reflect on a mom and pop type business — where dad was the lead salesperson, sons and daughters entered the business as outside sales. Mom ran inside sales and finance. Their approach to the market was a one-size-fits-all. However, over time, the sales representative model has evolved into skilled professionals, where survival of the fittest and now specialization have

become the critical elements for success.

Taking a deeper look, the sales representative is a free cost of sales until something is sold! Income is directly tied to sales performance. Other benefits include but are not limited to:

- More “feet on street” — pooled income allows for more coverage than one principal could afford;
- Synergistic selling — line card plus multifaceted resource;
- Great “other” reasons to be inside account;
- Relationships plus knowledge of customers in territory;
- Strong “linkage” to manufacturers’ distribution strategy;
- Local market intelligence — voice to manufacturer.

One customer actually described a sales representative as a field application engineer ... with a personality.

So, why all the fuss? Candidly, each time improvements are made, the performance bar seems to get raised. As an owner of a sales representative firm, one needs to constantly ask himself or herself, “Am I continuously innovating my selling approach? What is the life blood of my organization?” One representative owner described, “Design wins are everything ... eat, sleep and breathe them.”

If this fits your firm’s primary sales objective, is your sales organization structured to maximize this strategy? Is your organization adapting to recent trends like the migration of design activity moving to contract manufacturers as original design manufacturers (ODMs)? Is a key function of your outside sales team to build executive level (CEO, directors) relationships to enhance your value to your principals? Have you thought through the value of commodity versus design intensive lines? Most importantly, do you have an internal and an external strategy connecting with the millennials (sales mentor programs)? As their position of power grows, so does influence.

Impact of technology

Pushing the sales representative challenge further, would one consider his or her sales organizations mining of data to gain knowledge good, fair or poor? The fast pace of technology is disrupting traditional industries, markets and customers, whereas new industries and/or markets are emerging as fast as old ones fade. The ability to transition reams of data into information is another critical success factor. This encompasses taking facts, numbers, texts to patterns, associations or relationships to predict future trends and

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Following the survival of the fittest philosophy, challenging (or changing) aspects of your business will be the “new normal.”

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Bryan Teen
Vice President of Sales
Tech Marketing

With so many ERA members, it is not easy to get to know every rep and manufacturer in the business. "Someone You Should Know" is The Representor department that gives readers the chance to learn about fellow ERA members, including how their time is spent both in and out of the office.

Meet Bryan Teen, vice president of sales at Tech Marketing, headquartered in Raleigh, N.C. He recently became part owner of Tech Marketing.

The Representor asked Bryan a few questions about his time in the rep business and his experiences with ERA. Here is what he had to say.

Tell us a little bit about yourself.

My name is Bryan Teen, and I am the vice president of sales at Tech Marketing. I recently became a part owner in the company which I am extremely proud of. I was born in New Jersey, but have lived in Raleigh, N.C., for close to 30 years. I am the oldest of four, and have two awesome nieces that I love to spend time with. I proposed to my wife in 2014 (in Las Vegas at EDS) and look forward to starting our own family in the near future.

What are some things you enjoy outside of the workplace?

Spending time with family and friends is extremely important to me. I especially enjoy trying to make my wife Liesel laugh, which for the most part I am good at. I like golf (not because I am good), and I feel that Sundays are more enjoyable during football season. After a long day at work I enjoy relaxing on the front porch while sipping a glass of Maker's Mark.

How long have you been an ERA member and how long in the rep business?

Tech Marketing has been an ERA member since its inception in 1995. I have been in the rep business since graduating UNC-Chapel Hill and joining the company in 2005.

How did you become interested in being a rep in the electronics industry?

As the cliché goes, I would have to say it was in my blood. I root for the Giants and Yankees because of my dad, so it goes without saying that he is the primary reason I became interested in being a rep in the electronics industry. That said, I wouldn't still be doing this after almost 11 years if I didn't enjoy it.

What have you found to be most rewarding about the rep business?

Although it is probably true for all sales in general, I like that what you put into it is what you get out of it. I enjoy the fact that working a little harder, and often a little smarter, is the difference between losing or winning business. In all honesty, though, one of my favorite things about being a rep is the occasion when you see something you worked on for two years out in the real world. Even if I can't "see" the component or product that I worked on, I feel pride in knowing that it is inside there helping it work.

Briefly describe your rep firm.

My father, Patrick, started our rep firm in 1995 after spending most of his professional

career in the battery industry. Our company is headquartered in Raleigh and we have sales offices in Atlanta, Columbia, S.C., and Huntsville, Ala. I am very proud of the sales team we have and the manufacturers we represent. My younger brother Kevin recently started working with us, which I am very excited about as well.

What recent innovations, best practices and/or changes has your firm made?

We have recently implemented Empowering Systems, which has been helpful in tracking opportunities and reporting to our principals. We also started using Constant Contact as a way to create newsletters catered to our customers and suppliers.

What have you learned and/or what contacts have you made through ERA that have had the greatest positive impacts on you and/or your business?

I recently attended my first national ERA conference this year in Austin. It was packed with great information, and I really enjoyed the experience. Through ERA, I have met a number of people who have made huge impacts on me and our business. Past ERA presidents Mark Conley of O'Donnell Associates North and Paul Nielsen, CPMR, of Brainard-Nielsen Marketing have been great over the years. I had a very informative conversation with Tom Griffin of Catalyst Sales, Inc. at the conference that I found tremendously positive and has already impacted our company in a positive way. I also have to thank my fellow Carolinas ERA members Bob Ball and Bob Kirkland of Aurora Technical Sales who were very helpful when I was first starting off as a rep and trying to learn the ropes.

Are you active on social media? Do you follow ERA? Have ERA updates via social media been helpful to you?

I am active on LinkedIn as I like the more professional aspect and purpose that it fills. I have found it to be a great way to stay in touch with colleagues, as well as for introductions and prospecting. I do follow ERA and read all of the updates and newsletters that are sent out.

What is one interesting fact that people may not know about you?

I am an Eagle Scout and have backpacked somewhere around 300 miles on the Appalachian Trail and hope to have the opportunity to complete the entire trip from Georgia to Maine one day.



Norman Wright, Jr.

Norman Wright, Jr., is a strategic marketing coach and consultant for Wright On Target, LLC.

He trains and supports companies to effectively engage with their audiences and position themselves as “The Expert” for their industry to get new business. Over the past 25 years, Norman has won various prestigious awards in digital marketing, audio/visual, branding and design.

You can call Normam Wright at 412-212-7071, or email him at norm@wrightontarget.com.



Best practices to avoid getting **BLACKLISTED**

by Norman Wright, Jr.

Doesn't it seem as if email has been around forever? The use of email started in the early 1970s and is now a staple of business communication everywhere around the world.

Even though electronic communications such as texting, private messengers and social messaging have all come on the scene and are being used in day-to-day business communications, email still reigns supreme. This is due, in part, to the personal connection people have to the email processes that has been put in place to conduct daily business. People feel comfortable with emailing because it has stood the test of time (more than 40 years strong), and it is a proven way to manage and keep track of daily business conversations.

However, you need to be careful that your email address does not get blacklisted. If you have ever had this happen, you know how frustrating it can be.

So what does it mean to be blacklisted? An email blacklist is the compilation of domains and IP addresses that are filtered out of all incoming email. Basically, if your information is put onto a blacklist, your contacts will no longer receive your emails, and that is the last place you want to be.

Have you been blacklisted?

It is a good idea to check to see if your email address has been blacklisted.

Here are a few websites that you can use to see if your email and website IP address have been blacklisted:

- **Spamhaus:** The Spamhaus project is one of the most reputable blacklisting companies providing real-time anti-spam protection for Internet networks worldwide.
- **SURBL:** SURBL is a second-tier filter

that works in conjunction with Spamhaus to identify some of the most difficult unsolicited messages to track.

- **Barracuda Reputation Block List (BRBL):** BRBL is a free DNSBL of IP addresses known to send spam.
- **Invalument:** The Invalument anti-spam DNSBL is a subscription-based service that specializes in blocking elusive types of spam where the sender is sending 100 percent unsolicited bulk email and escaping traditional detection methods.
- **SpamCop:** The SpamCop Blocking List lists IP addresses that had mail reported as spam by SpamCop users.
- **MultiRBL:** This is a free multiple DNS blacklist service that cross references other blacklists by IPV4, IPV6, or domain.

Don't become spam

The use of email is a very popular and effective way to market your products, services and business, and rightfully so. It is cost effective, direct, measurable and helps to strengthen brand awareness and expertise. What many business people do not realize, however, is that there are certain words that will trigger email as spam and could quickly get you on the blacklist. You need to make sure that you are relevant in the body copy of your emails as well as subject lines. Don't sell through your emails. Instead, educate, add value and provide a link to a Web page that can do the selling for you.

Common spam trigger to avoid

Here are a few common triggers to stop using immediately:

- ALL CAPS;

- \$\$\$\$ Dollar signs \$\$\$\$;
- !!! Exclamations points !!!;
- Urgency words, such as “hurry” or “offer ends soon.”

Visit <http://normanwrightjr.com/beware-spam-trigger-words/> to view an expanded list of “trigger words.”

Keep your subject line relevant to the copy in the body of your email, and remember, don’t use trigger words.

Give the option to unsubscribe

Make sure you have a clear way for people to unsubscribe if they do not want to receive your emails or newsletters. You do not want them to mark you as spam — this will happen from time to time, so do not get alarmed when it does.

Use broadcast email services

You should never put your email address in a situation to get blacklisted. Use opt-in email lists for best chances of not getting your email address blacklisted. This can be done by integrating a simple script/coded form that you can get from your bulk email newsletter service.

Here are a few of the most used broadcast email services out there today. I have personally used all of them, and they are all reliable, cost effective and easy to use.

- Aweber
- MailChimp
- iContact
- Constant Contact

Clean your list

It is always a good practice to periodically clean your list of old or bad email addresses. This process will help you keep your bounce rates low.

The most efficient way to do this is to go through your “bounced list” and remove these emails from your list. This is not only good housekeeping, but also it will help you manage your subscription costs with your email service.

Remember, you only want qualified and interested parties receiving your valuable content. So keep the email list clean, and you can continue to add only the best to your list.

Wrong way to use images

You always want to look your best, and a lot of people want their broadcast emails and marketing campaigns to have a certain look and feel. It is not uncommon for people to create the entire email message as a single large image — this is very bad. This will trigger spam filters and most of the email software will show text only unless you select “display image.” To create a nice aesthetically pleasing email, use a broadcast

email service as previously mentioned in this article. You can get very creative with the tools they provide. What good is a great looking email if you get pushed to spam and no one sees it?

Additional tips to avoid being blacklisted

- Use “double opt-in” lists. These are not only a best practice, but also provide a sense of security to your subscribers.
- Don’t use attachments in your email. Instead, provide a link to a Web page for your subscriber to download your information. This also gives you an opportunity to keep your audience coming back to your website to strengthen your relationship with them.
- Always include an “unsubscribe” option. You don’t want people on your list who don’t want to be there. It is just bad form.
- Run your IP address through blacklisting checkers. Almost all of them are free, and you should do it from time to time.
- It is always a good idea to ask your subscribers to add your email address to their contact list. This is a good practice and is also known as “whitelisting.”
- Do not use your company or personal emails to send bulk email with the BCC (blind carbon copy) feature in your email. This will get you blacklisted quickly. Plus, people can see through this, and it really turns them off to you and your company.

To read more about the laws on spam emails, visit the official CAN-SPAM Act: A Compliance Guide for Business at <https://www.ftc.gov/tips-advice/business-center/guidance/can-spam-act-compliance-guide-business>. This will help you get a better understanding of what are the best ways to conduct your email usage and marketing campaigns.



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These companies joined ERA during the second quarter of 2016.

(The ERA chapter of each rep firm is listed in *italics* after the company name.)

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ERA in action: taking a glance back and a peek forward

By now, we have all recovered (hopefully!) from EDS — days that began at 7 a.m. and lasted through dinner ... running from meeting to meeting, up different elevator banks, suite to suite, all while bumping into SO MANY friends whom you see “on the fly” or chat briefly with in a cramped elevator.

Yet, somehow we all kind of love it, don't we? And in many ways, we thrive on it. The activity seems to generate its own energy and electricity. Yet, we need to remember this old adage: “Never confuse activity with accomplishment.”

So, what did YOUR ERA accomplish at EDS? Plenty! Let me list just a few of the activities and accomplishments that YOUR ERA had in Las Vegas.

Appointments: Your CEO had 31 appointments starting at 3 p.m. on Monday and all day long through Thursday. These appointments were with existing and prospective rep and supplier companies. The reception to the “New Era at ERA” was overwhelming and a bit humbling. Everyone was so interested in learning more about ERA and how it can help them navigate these challenging times.

EDS Spark session: Your CEO and John Denslinger, CEO of ECIA co-facilitated a session with young personnel of reps, manufacturers and distributors — the future of our industry — on the past changes of the industry and the challenges that lie ahead. The session was lively with many great questions. It seems as if our industry is in good hands with these future leaders.

ERA/ECIA breakfast session: Don Hnatyshyn, senior vice president/chief supply chain and procurement officer of Jabil, presented to almost 500 attendees about the new

digital age of our industry and the mandate to “Lead or Follow: There is no options but to ‘Follow Fast.’ ” It was an excellent session.

ERA new member lunch: ERA hosted 40 existing and prospective members at a luncheon session. A brief presentation was made on ERA and its strong value proposition to its membership. It was also a lively and enjoyable session with lots of questions and comments.

ERA booth: Your great ERA staff, consisting of Karin Derkacz and Stephanie Tierney, manned the ERA booth from dawn until dusk. They were answering questions, comments and inputs on how to make ERA even better and how to continue to add great value to its membership. Many thanks to Karin and Stephanie for all of their hard work on-site.

But as you know, our work has only just begun. After every meeting, there is a great deal of follow-up that needs to take place so activity can turn into results.

YOUR ERA is now busy with follow-up calls and emails to drive new membership and to craft new programs based on the input received. There is no easy way to get this done — one rep company, manufacturer or distributor at a time.

But enough about the past, let's take a peek forward on plans for the second half of 2016.

New member category — Distribution!

As you may have learned from our new ad on Woodstock Wire (www.woodstock-wire.com), we are working hard to grow our membership among the rep and manufacturer communities. In addition, I am pleased to announce that we will be adding distribution

(continued on page 30)



by Walter E. Tobin
ERA CEO
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p: 617-901-4088

*... I am pleased
to announce that we will
be adding distribution to
the membership
rolls at both the national
and chapter levels ...*

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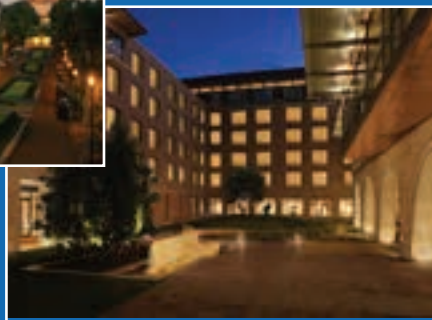


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It is critical to view sales as an investment, not an expense

As the memories of EDS 2016 fade, our industry now looks to the second half of the year hoping for a much needed business uptick.

As reported at EDS the second half of 2015 was less than fantastic, and that was followed by what has been a mediocre first half to 2016. There is noticeable pressure on manufacturers, distributors and representatives to improve their top and bottom lines. Also forecasted at EDS was a better second half which would be very welcome.

When times are hard the manufacturers cut people and capacity. The distributors cut people and inventory levels. And representatives are hard pressed to cut people as most of the dead weight has been cut over the last few flat years. In addition, some manufacturers have assigned representatives an increased role in their customer service, which has actually caused some representatives to add more people. Plus, there are more reporting requirements which are putting more demands on the representative firms' staffs. Lastly, as representatives do not stock anything, inventory reduction is obviously not an option.

Because between 65 and 70 percent of monthly expenses typically are tied up in payroll and payroll taxes, and as most of us really can't make additional cuts, the squeeze is on.

Commission payments have been under considerable pressure as well. This is due to a variety of factors, among them average selling price erosion and commission splits. These factors, coupled with an industry that has been flat to slightly down over the past four or five years, have caused the number of representative companies to greatly diminish over this time period.

As a past president of the Southern California ERA Chapter, I remember when at one

time we had well over 200 member representative companies. Today that number is well under 100. To make matters worse, a large number of these remaining companies are very small and do not have the sheer number of sales and support people to adequately handle large lines if they become available.

If you factor in line conflicts caused by mergers and acquisitions, the number of viable representative companies in any major market has been reduced to a precious few.

This is and will be a big problem for manufacturers and distributors going forward. Most manufacturers in these financial times cannot afford a direct sales force and all of the expenses associated with that option.

Distribution is also adversely affected by a lack of representatives as they need the local representatives for their resources, training, technical support, and efficiencies

in presenting multiple shared suppliers to a mutual customer. Also, without the local representatives, the manufacturers' monthly sales reports would most likely cease.

I know I am "preaching to the choir," but I believe it is time to do the unthinkable and that is to begin asking for pay raises. Your employees ask for raises; your building rent is increasing; your health insurance continues to go up; and the cost of doing business increases every year. The only item that seems to remain somewhat constant is commission. I know that some of our principals have instituted special plans for increased commission rates on special or new products, and this is definitely a welcome incentive. However, in some cases this might not be enough.

It is critical that our manufacturers look at sales as an investment and not as an expense. Like any wise investment, if done properly, the dividends will help us all grow stronger and prosper.



by Dan Parks, CPMR
West Electronic Sales
ERA President
e: dan@westelec.com

Commission payments have been under considerable pressure ... This is due to a variety of factors, among them average selling price erosion and commission splits.

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ERA to support the rep advantage at Electronica

by John Hutson, CPMR

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Four years ago I had the opportunity to attend my first Electronica show, and I was blown away. It was certainly exciting to see our industry showcased front and center with a level of energy that we have not seen in North America for some time now.

Because the majority of my principals attend the show, Electronica has offered me the opportunity to see new products, discuss applications and break bread with them — much like we would during the days of the Electro show in the northeast. The global nature of Electronica also allowed me to meet management from my European principals, something that I do not get the opportunity to do often. As a result, attending Electronica proved to be a very productive week.

Manufacturers' rep model

As productive as the show is, personally, what I found most interesting was the lack of knowledge about the manufacturers' rep model among most of the exhibitors I met.

I was amazed at the number of European manufacturers of high-quality products, many of which had existing sales in North America, that either had no field sales, or a limited network at best. Even among the manufacturers that had a stateside presence, many had a strong emphasis on logistics (i.e., warehousing), with a limited field sales structure. One thing that all of these exhibitors had in common was the desire to grow sales as cost effectively as possible. And what better way to do so than with ERA reps?

At the show, my introductions were not limited to European manufacturers, but included agents as well. These meetings were even more inspiring because most of them welcomed the opportunity to represent more North American manufacturers. However, European manufacturers' reps do not have a network for engaging potential principals. In addition, many of these agents see the European model of a stocking rep being threatened

by the wave of global distributors who are entering their markets. This creates a number of challenges for them, and adding manufacturers for which they do not carry inventory could be vital for their survival.

Closing the gap

These two dynamics — European manufacturers needing North American reps and European agents needing North American manufacturers — is the ideal breeding ground for ERA.

My enthusiasm to capitalize on this opportunity for ERA to assist in closing this divide was shared by Holly Myers, CPMR, with Wallace Electronic Sales, and Tom Shanahan, former ERA CEO. We dedicated ourselves to return two years later to the following Electronica, and to go booth to booth to share the advantages that ERA has to offer to as many people as possible.

I am proud to say that we were successful in this cause, and that our efforts resulted in the creation of a database containing more than 75 new contacts as well as new members.

Although ERA was well represented at the last Electronica show, it still has a long way to go to educate its European counterparts. This is why I am excited to inform you that ERA will be attending the 2016 Electronica show, and my expectations are higher than ever. We have a busy week planned in November, but if you plan to, or are considering attending this year's show, please let us know. We would love to know what your goals and expectations are of the show, and we hope that you might be able to stop by ERA's booth.

If you have any questions about the show, we would be happy to share with you what insight we have. Prost!

John Hutson, CPMR, is vice president at The MacInnis Company. You can call John Hutson at 800-544-1014, or email him at john@macinnis-company.com.



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Risk analysis leads court to overturn unfriendly reading of rep contract

Sales rep law articles do not only address recovering commissions. Primarily, yes, but not solely.

Before a commission claim can be brought, the contract language must favor the rep and prove enforceable. This was the obstacle independent sales rep William J. Burford confronted.

Burford agreed to market and promote the purchase and sale of accounting practices for a company called Accounting Practice Sales, Inc. or “APS” in Louisiana, Alabama, Mississippi, Tennessee and Kentucky. This was a new sales territory for APS, and the parties’ contract included a clause stating Burford would not compete in it for one year after termination.

APS later terminated Burford without cause, leading him to file a federal lawsuit in the small southern Illinois city of Benton, alleging his termination violated the parties’ contract.

Asserting its termination of Burford was proper under the contract, APS moved for summary judgment on his complaint, a common tactic designed to win a case based on legal briefs and thereby avoid a trial. The federal trial court granted the motion and Burford appealed.

The contract terms: avoiding no-fault divorce

The parties’ contract contained an “ever-green” clause, providing that “it renews automatically on each anniversary date of this agreement for another period of 12 months.” Such contracts that renew without either party taking action, and are for an indefinite term, are ordinarily viewed by courts as terminable at will by either party, “the business equivalent of no-fault divorce.”

Significantly, while the contract enabled Burford to terminate at any time by giving

30 days’ notice, no such right was conferred upon APS. The contract expressly stated: “APS cannot terminate this agreement unless it is violated by Burford.” Relying on this language, Burford argued the parties’ agreement overcame the presumption that APS could terminate the contract at will.

In a decision handed down last year, the federal appellate court in Chicago, unlike the trial court, agreed with Burford on this point. “By allowing APS to terminate only when Burford had breached, the contract made as clear as could be that APS could not terminate the contract at will.” No confusion existed either. The parties knew how to give a party the right to terminate at will as evidenced by the language allowing Burford to terminate at any time on 30 days’ notice. They made the decision to give Burford that right, but

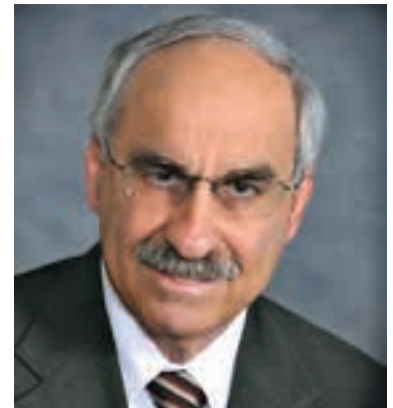
not APS.

A staple in contracting: both sides can minimize risk

The appellate court went so far as to caution against the danger posed by APS’s interpretation of the contract, which “would threaten to deprive Burford of the economic basis for the bargain he struck.” With unusual clarity, the court noted how “the type of relationship found here — where a sales representative builds a territory on the other party’s behalf — poses significant risks to both sides if either party is free to walk away at any time without consequence.”

The parties’ allocation of this risk proved central to the court’s analysis. It recognized that Burford could spend his time at APS simply building goodwill in the territory, and then walk away to capitalize on the goodwill with another company or even for himself.

(continued on page 32)



by Gerald M. Newman
ERA General Counsel

Gerald M. Newman, partner in the law firm of Schoenberg, Finkel, Newman & Rosenberg, LLC, serves as general counsel to ERA and is a regular contributor to The Representor. He participates in Expert Access, the program that offers telephone consultations to ERA members.

Gerry co-authored this article with his partner, Adam Glazer.

You can call Gerry Newman or Adam Glazer at 312-648-2300 or send email to gerald.newman@sfnr.com or adam.glazer@sfnr.com.



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IRS releases new updates on auto deductions and Affordable Care Act

There is a new update from the IRS regarding 2016 auto deductions. The auto mileage allowance in lieu of depreciation, gas, maintenance and licenses (everything except parking) is 54 cents per mile. This lower rate is the result of the low gas prices early this year, which seem to be disappearing now. The IRS has revised the figures in the past sometime around mid-year, so be aware of that possibility.

The medical travel allowance has dropped to 19 cents per mile. If the choice is to depreciate the auto, the allowances for autos weighing less than 6,000 lbs. are: first year - \$11,160 (if used, only \$3,160); second year - \$5,100; and third year - \$3,050. Thereafter, the allowance is \$1,875 annually until fully depreciated. Vans and trucks under 6,000 lbs. have slightly higher depreciation amounts — first year - \$11,560 (used - \$3,560); second year - \$5,700; third year - \$3,350; and thereafter - \$2,075 annually.

Affordable Care Act

Companies with 50 or more full-time employees are now required to offer medical insurance coverage to at least 95 percent of employees and their dependents, and they must produce form 1095-C at the end of the year showing each employee's monthly coverage. They also must file form 1094-C with the IRS, which is a transmittal form (similar to a W-3) to which all 1095-C forms are attached. Remember that the IRS considers 30 hours to be "full-time." Penalties for failing to do this will result in fines.

If just one employee goes to the Health Insurance Exchange and obtains coverage, the employer could be subject to one of two types of fines: first, if the employee (or his or her dependents) was not offered coverage; and second, if the coverage is not minimally sufficient — it must be both affordable and have "minimum value."

Affordable: The employee must not be required to pay more than 9.66 percent of his "annual household income." This alone is absurd because the employer likely has no insight into the income of other family members. If there are different coverage choices, a penalty will be applied only if the lowest cost option is still too high.

Minimum value: The IRS provides guidance on this and most insurance companies know what it is. The technical requirement is that insurance must cover 60 percent of the

medical costs and "substantial" hospitalization and physician costs.

The penalties in both cases are determined as follows: the monthly total of eligible workers minus 30, times the monthly penalty rate. If insurance is not offered (first penalty), the cost is based on an annual rate of \$2,160 per employee. If the insurance is not affordable (second penalty), the annual rate is \$3,240. The amounts are adjusted annually for inflation.

Let's say that a company employing 90 people failed to offer insurance to an employee for five months, so the employee went to the exchange. The penalty would be $90 - 30 = 60$ times \$2,160 divided by 12 and multiplied by five — or \$54,000. If there were 650 employees, the penalty would be \$558,000 for one employee for five months.

Does the penalty fit the crime? Think of the harassment a disgruntled employee can cause even if he can be proven wrong. The effort here seems to be to drive companies out of business. Oh, one other thing — the penalties are NOT tax deductible. Parts of the Affordable Care Act really need fixing.

Individual insurance: If an individual does not have insurance, there is a penalty to be paid with the filing of form 1040. This penalty is also incurred monthly. For 2016, the annual penalty amount is \$695 per adult plus \$347.50 for each dependent child (whether or not claimed on the taxpayer's return). The basic maximum per tax return is \$2,085. However, the penalty is based on the greater of that computation or 2.5 percent of the "household income," which is the income of the above defined group after a subtraction. That subtraction is the amount under which you do not have to file a return. For single individuals in 2016, it is \$10,350 and for joint returns, it is \$20,700. Like the maximum basic premium of \$2,085, there is a maximum on the 2.5 percent calculation, and that figure for 2015 was \$2,484 per person for less than five household members. It has not been determined for 2016 (The average can't be calculated until year-end).

As you can see, the rules for everyone, including the insurance companies, are complicated. As many readers know, the IRS does not have collection rights on individuals owing these penalties, but they can withhold from refunds now or in the future.



by Stanton B. Herzog, CPA
ERA Tax, Audit & Accounting Consultant

Stanton B. Herzog, CPA, principal in the firm of Applebaum, Herzog & Associates, P.C., Northbrook, Ill., serves as ERA's accountant and is a regular contributor to The Representor. He is available to speak at chapter or group meetings on a variety of financial and tax-related topics. He also participates in Expert Access, the program that offers telephone consultations to ERA members.

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COVER STORY: Cost of Sales

(continued from page 6)

behavior. An illustrated example would be a customer that purchases 85 percent on a direct basis and 15 percent through Digi-key or Mouser.

The Digi-Key or Mouser purchases are small and mostly newer products. One might be able to make the correlation that these distributors offer an inroad to that particular customer's engineering. Thus, predicted behavior is that newer products with promotions through these distributors will yield more design wins and direct business longer term. This new era of "Digital Age Hunting" is essential for the survival of the fittest strategy. I am reminded of a message from Scott Klososky, keynoter at the recent ERA conference, where he said, "In the past five to seven years alone, technology has shifted from being a utility to a weapon inside organizations ... not being able to understand this historic shift ... is fatal."

It seems every year the challenges to our business model increase. Business and economic cycles will go up and down. Following the survival of the fittest philosophy, challenging (or changing) aspects of your business will be the "new normal." These may include the way the outside sales team is compensated.

Is the Charlie Sheen Wall Street all or nothing strategy of the 80s the best approach, or is a pay forward strategy (guarantee plus commission) more appropriate for the younger generation entering our sales force? Is your inside sales organization bringing your principals the value they desire, or is your firm just hanging onto outdated hierarchies? With the friendly North American environment to distribution, is your distribution strategy pragmatic (donuts or design wins)? The evolution of the sales representative model has developed over the years from "order-takers," to "design experts," to "solution providers." It is time to seek the next level of sales transition to a "consultant — trusted adviser."

Sales representatives must continuously look to break, challenge and innovate their sales model. Complacency, following the "if it ain't broke, don't fix it" philosophy, is a dangerous strategy that could make your firm either the Blockbuster Video of the representative world or an obsolete component collecting dust on a shelf. The environment has never been stronger for the survival-of-the-fittest strategy. Innovation comes from a certain defiance of the norm. ■

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For sponsorship details and a registration form, go to era.org.

Learn how live video can build and maintain marketing relationships

We live in exciting times! One of the greatest opportunities today is to develop relationship marketing through live video streaming.

We have had live video streaming for a while, with services like Ustream, Livestream and others. However, in just a few short years, we have seen a dramatic decrease in the cost and an increase in the quality and ease of video creation. Today, we have tools like Periscope.tv, Blab.IM and others. Recently Facebook added Facebook Live (live.FB.com) to the mix as well.

This opens a new level of relationship marketing for your business. Let's take a look at how you can use this tool.

Periscope.tv. Periscope allows you to send live events from your smartphone to your followers on Twitter. When Twitter purchased Periscope last year, it effectively put the previous platform of choice, Meercat, out of the picture.

Periscope's broadcasts, called "scopes," are a great way to show your business in live, extemporaneous moments. This generates more excitement and puts a human face (literally) on what could previously be seen as a cold, uncaring corporation.

Blab.im. My current favorite is Blab. With Blab, you can have up to four video feeds on your screen and thousands of participants observing. Blab also provides an important live text chat on the right-hand side and messaging on the left side.

Just this week, I conducted two Blabs for two different organizations. In both cases, I had others joining me on the screen who had never seen Blab before.

Positive reaction

Every time I do this, those who see it have extraordinarily positive reactions to the possibilities. In my experiences this week, we reached several hundred people who are interested in what we discussed. We increased sales dramatically that day, even with only a few hours' promotion notice. Needless to say, the sponsors were very pleased to do a Blab, which cost them nothing but their time.

In each of the Blabs that I did, we were able to bring on other people through video and audio. We were able to answer participants' questions and to hear their

comments and ideas. This greatly facilitated the collaboration that would not happen in other media.

Facebook Live. I have also used Facebook Live with great success. Facebook Live works beautifully, and gives instant access to people who are notified that I am conducting a Facebook Live event. Use live video to establish, build and maintain relationship marketing.

Opportunities and dangers

The idea of broadcasting live changes the way we interact with our world. Because your customers know that you can connect with them via live video, they're going to want more. Transparency will be the new normal. Be prepared for the opportunities, and use this as a touchpoint to connect with key stakeholders in a powerfully positive way.

But be aware of the dangers. At some point, it is highly likely that someone could shove a smartphone in your face and broadcast to the world. You can turn and hide, and sometimes that would be appropriate. At other times, it would look like you are purposely avoiding contact, and that would have negative consequences.

The trend is for live video streaming to become much more popular in business. In the future, we will see regular broadcast events which can connect you with those who are interested in your business.

Think about how a retail store could demonstrate new products, new opportunities for using their products, and broadcast live events with video to encourage people to buy either online or to come to the store and purchase items. This also can be a great way to have private, one-on-one conversations to solve technical problems.

Sight Call is doing this now. I recently interviewed the company's founder, Thomas Cottureau, and you can watch the video on my website. Then think about how you can use this and similar technologies to build your relationship marketing.

Yes, there will be some challenges, like being prepared for video at any time, any place. But I believe the good far outweighs any negative. Get to know these tools now.

Seize the moment. Seize the video!



by Terry Brock

Terry Brock is a marketing coach who helps business owners market more effectively leveraging technology. He shows busy professionals how to squeeze more out of their busy days by using the right rules and tools.

You can reach Terry at 407-363-0505, by email at terry@terrybrock.com or through his website at terrybrock.com. Also, look for Terry on Twitter @TerryBrock.

ERA 2017 CONFERENCE COMMITTEE ANNOUNCES EVENT THEME

The ERA 2017 Conference Committee, chaired by Holly Myers, CPMR, of Wallace Electronic Sales, has announced the theme of the event, slated Feb. 26-28 in a return to the AT&T Conference Center in Austin, Texas. “**Collaborate, Differentiate, Accelerate: Drive to Excellence**” is the focus of the committee in building the conference program. Possible topics the committee is exploring for the program are: evaluating the disruptive environment and how to become a disrupter; tactical versus strategic thinking and how to use both sides of the brain in business management; a presentation by Amazon on its philosophy in selling electronic products; opportunities in new energy sectors of the industry; best practices re: selling via the Internet; manufacturers’ evaluation of reps and rep councils; and using Cloud services to gain operational efficiency.

In addition to Myers, returning members of the committee from the 2016 conference are: Kathie Cahill, CPMR, of the Net Sales Company; Tobi Cornell, CPMR, of Kruvand Associates; Tom Griffin, CPMR, of Catalyst Sales; John Hutson, CPMR, of The MacInnis Company; and Rick LaPiana of the Cain-Forlaw Company. New members who joined the committee this year are: Ken Bellerio of Schaffner EMC; Zach DeVillers, CPMR, of Brainard-Nielsen Marketing; Todd McAtee of Mouser Electronics; and Mike Swenson, CPMR, of the Mel Foster Company. ERA staff members on the committee are Walter Tobin, Tess Hill, Neda Simeonova and Stephanie Tierney. Updates on the conference are available at erg.org.

ERA EXPANDS MEMBERSHIP TO INCLUDE DISTRIBUTORS

ERA announced in June that distributors are now eligible for national membership in the association. While some chapters of ERA have had distributor members in their territories for some time, it is now possible for distributors to join ERA on a national basis and extend that membership privilege to ERA chapters for their branches. One set of distributor dues will cover both national and chapter membership.

Walter Tobin, ERA CEO, notes: “ERA is a field-based organization with its 20 chapters headquartered in markets throughout the Americas. Our programs are designed to facilitate stronger local ‘boots on the ground’ programs to help drive demand creation, new customer development and increased sales ... Adding distribution completes the ‘third leg on the stool’ of this partnership among reps, manufacturers and now the distributors in the field. ERA will continue to develop sales, products and other programs meant to benefit all three constituents of its membership. In addition, the continued coordination of demand creation and supply chain programs between reps and distribution will prove to be a huge benefit to our manufacturer members.”

For details on ERA distributor membership, go to era.org, or email info@era.org.

MRERF SCHEDULES CSP AND MBP COURSES THIS FALL

The Manufacturers’ Representatives Educational Research Foundation (MRERF) has scheduled two offerings of its Certified Sales Professional (CSP) program plus a session of its Manufacturers Best Practices (MBP) class this fall. The CSP classes will be conducted Sept. 13-16 in Baltimore and Oct. 11-14 in Phoenix. The MBP session is coming up Sept. 27-27 in Orlando, Fla. The foundation’s next Certified Professional Manufacturers’ Representative (CPMR) classes will be held Jan. 8-11 in Austin, Texas.

In other news from MRERF, watch for the announcement of two new programs in development: a course to certify sales managers and a webinar to train inside salespeople. More information about MRERF and its programs is available at mrerf.org.

The annual ERA-ECIA Breakfast at EDS in May drew hundreds of attendees to hear guest speaker Don Hnatyshin (right), chief supply chain officer of Jabil. He addressed “The Digital Economy: Enabling the Intelligent Digital Supply Chain.” ERA CEO Walter Tobin, on stage in the far right photo of the ballroom at the Mirage Hotel, arranged for Hnatyshin’s participation and introduced him.



What honeybees can teach about decision-making in rep firms

You may know that I am an urban beekeeper. As the weather warms up, we beekeepers are chomping at the bit to get into the bee yard to inspect and tend the colony hives. A few weeks after it is warm enough for the bees to start foraging, they begin swarming — a natural and fascinating phenomenon.

Swarming happens when the majority of a colony's members — a crowd of some ten thousand worker bees — flies off with the old queen to produce a daughter colony, while the rest stay at home and rear a new queen to perpetuate the parent colony. The migrating bees settle on a tree branch in a beard-like cluster and then hang there for a few days.

During this time, these homeless insects will do something truly amazing: They will hold a democratic debate to choose their new home.

Several hundred of the swarm's oldest bees will take on the role of nest-site scouts, exploring the surrounding area for dark crevices. These house hunters will advertise their discoveries to each other by performing lively dances and dance-debate vigorously to choose the best nest site. When they reach an agreement, they will rouse the entire swarm and guide the cloud of bees to the new home, typically a hollow tree several miles away.

Rep firm owners and employees can learn a lot from these site scouts about how to make quick and reliable decisions.

Bee lesson #1: carefully choose group members.

Scout bees respect each other's opinions and constructively debate the options each member brings to the challenge. A human group composed of clashing, stubborn curmudgeons doesn't function effectively. Members need to respect each other so they can evaluate ideas without resorting to defensiveness or anger. Populate the group with genuinely reasonable

people who have a reputation for being respectful and incisive debaters.

Bee lesson #2: minimize the leader's influence.

Power is evenly diffused among the scout bees. No one scout leader tells the others what to do. Even the all-important queen, who is the genetic heart of a swarm, is merely a bystander.

Most human groups/rep firms operate with a leader. However, to promote sound decisions, the rep firm owners/leaders needs to act like scout bees, impartially considering all solutions and not promoting or settling on a particular option at the beginning of the process.

Bee lesson #3: seek diverse solutions.

Bees explore a vast number of possibilities and ideas before deciding on one. Humans can

follow their lead with these guidelines:

- Form a group that is sufficiently large to engender multiple ideas.
- Include a range of diverse backgrounds and perspectives in the group.
- Encourage each member to independently gather knowledge on the available options.
- Create an environment where everyone feels comfortable proposing solutions.

Bee lesson #4: debate vigorously.

The bees' decision-making process is a turbulent debate among groups of scout bees supporting different nest sites. These groups compete to gain additional support from bees who are not yet committed, and the group that attracts a quorum of supporters wins the competition. The winners then build consensus among the scouts so they agree on the flight plan when it is time to pilot the swarm to its new home.

Human groups struggle when trying to

(continued on page 32)



by Nicki Weiss
Certified Professional Sales Management
Coach and Master Trainer

Nicki Weiss is an internationally recognized Certified Professional Sales and Leadership Coach, Master Trainer, thought leader, speaker and facilitator. Since 1992, she has trained and coached more than 20,000 business leaders, sales teams and reps. Nicki has a particular passion for working with manufacturers, distributors and rep firms in the electronics industry.

Nicki is ERA's sales consultant, the brainchild and facilitator of ERA's free teleforum programs and the founder of the SalesWise Academy. Every day, leaders wake up knowing that they, their technical reps and field sales engineers need to sharpen their focus and their skills. But they don't have the tools, resources or patience to continually help enhance their strategy, communication and relationship building skills. The SalesWise Academy fills that void and delivers those skill-building lessons. To learn more, go to saleswise.ca or call 416-778-4145



Chapter News reports the local activities of the 22 chapters of ERA. The chapters sponsor educational and training workshops, local trade shows, legislative and industry projects to enhance the professionalism of individual members and to advance the goals and mission of the national association.

CAROLINAS

The Carolinas Chapter is continuing its monthly networking breakfasts throughout the summer.

ERA CEO Walter Tobin was a guest speaker at the networking program on May 23. The presentation topic was “The Future of the Industry and its Impact on Reps, Manufacturers and Distributors.”

CHICAGOLAND - WISCONSIN

On June 23, the chapter hosted a breakfast round table program with ERA CEO Walter Tobin as a guest speaker. The presentation topic was “Learn Why the Best Reps Belong to ERA.” The purpose of the breakfast program was to increase membership.

The chapter also announced a new feature of the Chicagoland-Wisconsin website. The Chapter Forum Web page offers members and industry professionals a place to share articles of interest. This page is designed to keep members on top of industry news.

Visit the new Chapter Forum page here at <http://www.chiwisera.com/forum.html>.

EMPIRE STATE

The Empire State Chapter is planning the Debbie Henry Memorial Golf Tournament. The golf outing will be held on Monday,

Aug. 8, at the Ravenwood Golf Club — a new location. Once again, the goal of the event is to raise funds for the chapter’s annual scholarship awards. The tournament and scholarship program are chaired by Scott Caliel of Leonard D. Allen, Inc.

The chapter also continues to hold monthly rep networking events.

INDIANA-KENTUCKY

The Indiana-Kentucky Chapter held a Cyber Security Luncheon meeting on May 5. The speakers were Craig Jackson, chief policy analyst of the Center for Applied Cybersecurity Research (CACR), and Susan Sons, senior security analyst of CACR.

NEW YORK

On June 20, the chapter had a Charity Golf Outing located at the St. George’s Golf and Country Club in East Setauket, N.Y. Proceeds of the event will go to several charities, including Long Island Cares for the benefit of wounded veterans. The event was open to reps, distributors, OEMs, contract manufacturers and principals. To facilitate this event, the chapter has implemented updates to its website to automate payment (via PayPal) and the collection of attendee information.

NORTHERN CALIFORNIA

The chapter is planning to host a bocce ball networking event on Aug. 9. An education class is also being planned for Sept. 15.

PACIFIC NORTHWEST CHAPTER

The Oregon Section of the Pacific Northwest Chapter of ERA (ERA-PNW) is in the process of planning functions in conjunction with the Electronic Manufacturers Association of Oregon (EMA).

On Feb. 18, 2016, the kickoff party for the two organizations was held at the Golden Valley Brewery. About 60 people in the electronics industry attended and heard a short review of each organization.

On May 24, another event was held at the Golden Valley Brewery. The program, titled “How to Start and Grow Your Business,” was organized by EMA and cosponsored by ERA-PNW, and featured three speakers. The first speaker was Laura Zager who is a patent attorney with a doctorate in electrical engineering. Her session was titled, “An Introduction to Intellectual Property.” The second speaker, Diana Wojcik, spoke about how to maximize

COLT 2016 slated in October-November

ERA’s Chapter Officers Leadership Training (COLT) program is scheduled to run this year in a one-hour webinar on Friday, Oct. 21, followed by an in-person workshop on Tuesday and Wednesday, Nov. 1-2 in Chicago. The format of COLT, which was significantly revamped in 2014, is being streamlined again to reduce the pre-workshop time for attendees to just a single webinar.

Bob Evans, CPMR, of EK Micro, chair of ERA’s Chapter Leadership Council (CLC) and a long-time COLT faculty member, notes, “We are leaving the in-person workshop, the most valuable part of the program, intact but reducing the webinar time. The workshop is also being shifted from a Thursday-Friday time frame to a Tuesday and Wednesday to eliminate attendees having to travel on a Friday.”

Other COLT faculty members are Walter Tobin, ERA CEO, plus staff members Stephanie Tierney and Tess Hill.

All chapter boards are encouraged to select their attendee(s) as soon as possible. A number of Chapters of the Year have earned free tuition scholarships to COLT to pay all costs except travel. For details on those scholarships and for further COLT information, contact Tess Hill at thill@era.org.

gains and minimize risks during business years when considering the disposition of your company. The third speaker, Leo Frishberg, gave a speech titled, "Getting It All Wrong: How I learned to Love the Lean Startup."

SOUTHERN CALIFORNIA

The Southern California Chapter held a program on June 16 titled, "Rep Best Practices, Part III: Operations."

The ERA SoCal Charity Golf Tournament is scheduled to take place on Aug. 8 at the Aliso Viejo Country Club.

The chapter is also planning for the Electronics Industry Summer Social on Aug. 25 at Sagebrush Cantina, Calabasas.

SOUTHWESTERN/TEXAS

The chapter sent out surveys in May to gather input from industry reps in Texas. The immediate/long-term objective is re-establishing the Texas chapter of ERA.

SPIRIT OF ST. LOUIS

The Spirit of St. Louis Chapter's EEEM 2016 was a success with a full sell-out of 50 exhibitors, 59 booths and eight technical seminars.

ERA CEO Walter Tobin addressed the chapter at a May 2 meeting. He spoke about the future of ERA, reps, distributors and the industry.

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COMPONENTS

Chuck Tanzola, CPMR

Fusion Sourcing Group
Ithaca, N.Y.
ERA Senior VP/Industry

**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.

ELECTRONIC SYSTEMS INTEGRATION

Gary Ponto, CPMR

GP Marketing
Kirkland, Wash.

**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.

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.

(continued on next page)

INSTRUMENTATION AUTOMATION & CONTROLS

Tom Diercksmeir, CPMR

A. G. Technologies, LLC
Scottsdale, Ariz.

**New opportunities for
reps arise in aviation**

MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

Troy Gunnin
Sun Rep
Tampa, Fla.

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.**

A book review and recommendation by Dan Beaulieu

75 Ways for Managers to Hire, Develop and Keep Great Employees

by Paul Falcone

Copyright: 2016 Amacom

Price: \$21.95 • 314 pages with index

It's all about the team ... making a great team!

This valuable new book shows you how to select the right people and manage and motivate them to success. The interesting thing about this book is that, at first glance, my initial impression was, "Yeah sure, I know all of this stuff. I've heard it all before so why did Mark want me to read this book?" I say this because a friend of mine had recommended this book to me with such enthusiasm that you might have thought it was a new Stephen King novel.

I trust Mark and consider him a pretty smart guy. So the fact that he recommended this book so highly made me take a closer look, and man I'm glad I did because this book offers entirely new and logical ways to "develop and keep great employees" as the author states in the title.

Truth be known, we all assume that we already know what this book is about. We all have been exposed in one way or another to the ideas and principles highlighted in this book and maybe in some ways we have. However, it is likely superficially and without the depth of thought that the author is delivering.

Take coaching for example. For those of us who have been in management for many years, coaching seems like second nature — something that we can do with eyes closed and one arm tied behind our back. As you read through the chapter on coaching, however, you quickly come to learn that this is not the case — no, not at all.

Have you heard of "piercing the veil" and getting right through to the person you are coaching by asking the right questions, in the right way, so that you get right down to what the person you are coaching really needs help with?

How about how to deliver the best performance reviews so that your employee leaves motivated and inspired to do a great job?

Or how about avoiding the "L" word — litigation. That is something none of us are experts about, right?

What about taking your employees down a career path that ensures the possibility of creating great, empowered and loyal employees for life ... or at least a very long time?

No, sorry, we all don't know everything there is to know about managing our work force no matter how long we have been at it. So with that in mind, this is a book all of us need, whether we want to admit it or not.

Dan Beaulieu is the president and founder of D.B. Management, LLC, a consulting firm specializing in all aspects of sales, marketing and branding with a focus on rep-principal relationships. His latest book is The PCB 101 Handbook which can be purchased online by emailing danbbeaulieu@aol.com. Dan is also the author of "It's Only Common Sense," a weekly sales column appearing at pcb007.com. Dan can be reached at 207-649-0879.



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- Line Portfolio Evaluation
- Outsourced Field Sales: Adding Value for the Customer (CD)
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- ERA Membership Pins

ERA Meetings & Programs

- Board of Directors Meeting - Fall 2016
- ERA COLT Program - Fall 2016

EXECUTIVE COMMENTARY: ERA in action

(continued from page 11)

to the membership rolls at both the national and chapter levels during the second half of 2016.

Adding distribution to the membership rolls was a decision that was approved by the ERA Board of Directors a while back but never implemented. We needed time to amend the ERA National bylaws to allow for this change and to give the chapters time to amend their local bylaws to allow for distribution membership at the chapter level. This has now been accomplished at the national level. Many of our chapters have already included distribution into the membership rolls and have made the necessary bylaw changes already. ERA National now will be working with the chapters to assist them as needed in this transitional period. ERA National will also be soliciting the different corporate offices of the distributors to advise them of this change and to welcome them into ERA!

Distribution is the “third leg on the stool.” Now along with manufacturers’ reps and manufacturers, ERA provides a solid and complete value proposition to its membership and to the industry. Stay tuned for more to come on this exciting development.

Electronica 2016

On page 15 in this issue, you will find an article written by John Hutson, CPMR, vice president of The MacInnis Company and president of the New England Chapter, about the upcoming Electronica 2016 and his role in helping to represent both The MacInnis Company and ERA in November in Munich. John is a true professional who will be a great “Face of ERA” at the event.

I will share more about ERA and its plans for Electronica 2016 in our Fall issue.

Chapter activities

As you know, the heart and soul of ERA rests in its chapters. ERA has many great and active chapters that have invited me into their “homes” to attend and speak at their local meetings. In the past few months, I have been honored to attend and speak at the following chapters: Minnesota, Texas, Chicagoland-Wisconsin, Empire State, New England, Spirit of St. Louis, Carolinas and New York.

These chapters are all active while being managed by folks like you: rep presidents/leaders who are trying to balance their time between running their businesses along with managing the ERA chapter. My hat is off to these chapter leaders and all of YOU for the time that you give to ERA. I am ready to come see you as needed to help reinforce your local chapter events.

So a lot has been done, but there’s lots more to do. I’m all ears to hear from you on what you want the ERA staff and me to do to help continue our progress. My phone is always on — 617-901-4088. ■

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RPMS offers sales analysis, commission reconciliation and sales force data exchange software designed exclusively for manufacturers' reps. For more information about its programs, go to rpms.com.

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LEGALLY SPEAKING: Court overturns rep contract

(continued from page 17)

APS was protected against this risk via the contract's one-year non-compete provision. As further protection to APS in case Burford underperformed, the contract provided that poor sales performance gave it good cause to terminate him.

Meanwhile, Burford needed protection against the risk that APS would allow him to spend time and resources developing the territory, only to then reassign it to a lower-paid rep. His risk was minimized by APS contractually agreeing not to terminate him unless he violated the agreement.

It was the parties' careful risk allocation in their agreement that gave the court comfort in reversing the trial court's order granting summary judgment, and concluding that APS breached the parties' agreement by terminating Burford at will. In claiming a right it did not possess under the parties' arrangement, APS upset the balancing of risk in the agreement, an action it could not sustain.

The practical lesson: preserve the taste of peanut butter

An important takeaway from this rep victory is the fundamental concept and benefit of holding principals to the terms of carefully negotiated rep agreements. What is gained at the pre-contract bargaining table ought not be snatched away by a short-sighted principal's greed or hotheadedness.

And a premise of protecting the "carefully negotiated rep agreement" is, of course, to ensure that pre-contract negotiations with the principal include a risk allocation that protects both parties. Burford would have been in no position to prevent the APS termination had he signed a one-sided contract rather than securing the right to be terminated only for breaching the rep contract.

One-sided rep contracts are almost as undesirable as one-sided love, and as Charlie Brown of "Peanuts" fame once remarked: "Nothing takes the taste out of peanut butter quite like unrequited love." ■

SALESWISE: Honeybees and rep firms

(continued from page 23)

reconcile strongly held diverse views into a single decision. Here is how to emulate the bee process:

- Have everyone share ideas in an open forum.
- Hold a friendly competition of ideas. Ask questions, clarify positions, and regularly go around the room to ask everyone for input.
- Once everything that needs to be said has been said, take a secret ballot vote. All members can express their true opinions, free of peer pressure and group think.

Bee lesson #5: keep the process short.

Scout bees debate the pros and cons of each site vigorously, but not endlessly.

Here are a few tips from the honeybees on how to speed up decision-making and ensure the best result:

- Take a secret ballot periodically to see how close the group is to consensus.
- If the vote is far from unanimous, continue to debate.
- If 80 percent agree on an option, ask the outliers if they can support the majority position.

Talk back: What do you think about applying honeybee democracy to your meetings? What will you do differently?

DVD: "Queen of the Sun: What Are the Bees Telling Us?" Directed by Taggart Siegel

This remarkable documentary is one of the most beautiful nature films I have seen. Director/photographer Taggart Siegel takes viewers inside hives and follows honeybees as they sip on flowers. We also meet beekeepers in gorgeous settings (Illinois, Germany, New Zealand, Italy) and even on rooftops in Manhattan.

Siegel explores the recent and catastrophic disappearance of bees, weaving the dramatic stories of beekeepers, scientists and philosophers from around the world as they struggle to understand and solve the mystery. Because the pollination work of honeybees is crucial to the production of one-third of the food we eat, their struggles will ultimately be our struggles. I recommend this film to everyone. ■

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