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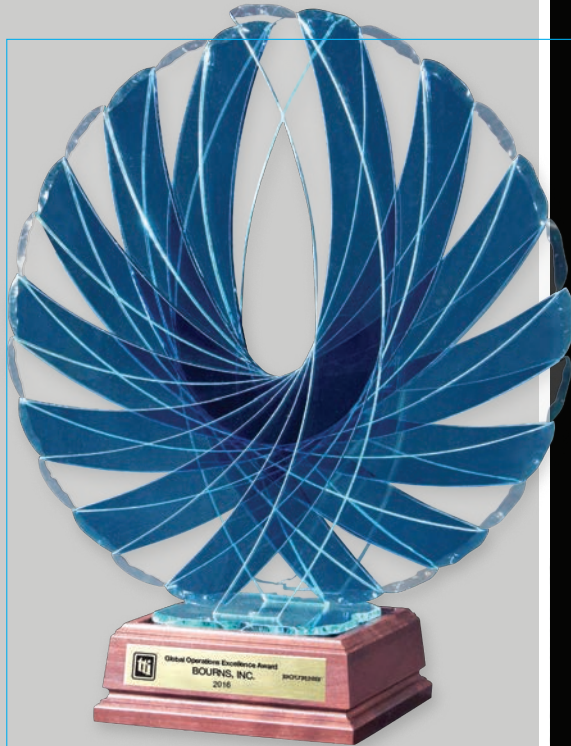
The Value of Reps: A Renewed Look

**Effective tools to drive
business relationships**



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SPRING 2018

The Value of Reps: A Renewed Look

**Effective tools to drive
business relationships**



In one respect, the breakout session presented at the ERA Conference in Austin, Texas, “Taking A Fresh Look at Manufacturers’ Reps,” was the last step on a journey. In another respect, it was the first step on other journeys as participants apply the material to their own businesses.

The journey to Austin

For us, the journey began in mid-2017 when ERA CEO Walter Tobin asked us to be part of a team tasked with creating a “value of reps” presentation. The current dynamic market environment with manufacturers’ leadership regularly changing, along with ongoing M&A, are routinely challenging the rep-principal relationship. It was critical that a rep value proposition be available that not only reflects today’s rep capabilities, but definitively matches those capabilities with the needs of the manufacturers.

As ERA consultants, our role was to bring the manufacturers’ perspective to the organization. The other team members whom Walter assembled included some icons in the business: distribution leaders Alex Iuorio and Craig Conrad; manufacturing executive Tim Conlon; and rep owners Mike Lasley and Tom Griffin, CPMR. With the broad range of real-time experience that this team had, the stage was set for a comprehensive and objective look at the value of reps.

In the past, some team members had created independent presentations and white papers on the topic. After several conference calls to align on the general direction of the presentation, Walter decided that it might be best for a couple of us to try to synthesize the team’s input into a draft presentation. We were selected to pull it together. For the next few months, we worked to distill the key messages into a meaningful presentation.

Our first decision was that this should not be a presentation per se. It truly needed to be a tool, one that a rep can use to create a framework for a discussion with a manufacturer. Fortunately, the concept fit perfectly with the theme of the 2018 ERA Conference, “Tools of Our Trade — Constructing a Successful Future.”

Next, we accepted that there is no perfect answer for every situation. A manufacturer’s selection of the most appropriate channel strategy for his or her business is dependent on a

range of variables such as: What is the segment and regional strategy? Is my product unique or a commodity? What role does distribution play?

As a result, we aimed for materials that were directionally correct but not perfect. We believed that approach would be the best for a discussion.

Finally, while we were not reps ourselves, based on our experience, we had a clear sense of what manufacturers require from their sales channels. Thus, we grounded our materials on the needs of manufacturers.

The goal is for reps to take this material, modify it based on the individual situation, and use it for a meaningful discussion with manufacturers.

The goal is for reps to take this presentation material, modify it based on the individual situation, and use it for a meaningful discussion with manufacturers. Whether the manufacturer is one that is considering the rep model or one that is challenging it, this is a tool that would resonate with either audience.

Manufacturers’ needs

The cornerstone of the presentation is our perception of typical manufacturers’ needs from their sales channels — direct sales, distribution, manufacturers’ reps and e-commerce:

- Advocacy of manufacturers’ products with customers;
- Manufacturer control and influence on selling resources;
- Product expertise;
- Customer fulfillment experience;
- Customer demand creation experience; and
- Full market coverage.

For each of these needs, the presentation addresses how reps can fulfill and support what manufacturers are looking for from their sales team.

Setting the stage

The initial presentation slides are geared to bring the audience up to speed on the ever-changing dynamics of the business environment. The emphasis is on versatility and the ability to

(continued on next page)



ERA consultants John Simari (left) and Cesare Giammarco (right) presented a breakout seminar, “The Rep Value Proposition: Taking a Fresh Look at Manufacturers’ Reps — A Framework for Discussions,” at the 2018 ERA Conference in Austin, Texas.

COVER STORY: Value of reps: renewed look

(continued from previous page)

quickly adapt to the changing customer landscape. Customers continue to move, geographically, strategically, technologically and in how they expect to be served. A static sales organization cannot move quickly enough to match these customer moves. Manufacturers' reps, with their multiple lines and local relationships, are well positioned to quickly adapt to the ever-changing needs of the customer.

The ever-growing presence of e-commerce is addressed and how, although it may be an independent go-to-market strategy, it may still require local sales presence to optimize its benefit.

From a manufacturer's perspective, the fully loaded cost of acquiring and retaining a direct sales force can be extensive. Not having a local

stable sales team creates disruption for the customer and has a negative impact on the manufacturer's top and bottom lines.

Reaffirming what a current manufacturers' rep is as compared to a perception based on past experience, or none at all, is important to best align with the manufacturer's needs. We wanted to include a current view of today's manufacturers' rep.

The thermometer

We wanted to find a way to show how the relative ability of each of the sales channels addresses a specific need of the manufacturer. We chose to use a thermometer as a fun way to depict this. The sales channel that is best positioned to address the need would be at the top. For example, if "advocacy" is the most important need, then direct sales is probably the best option to satisfy this need. If "full-market" coverage is considered, then distribution is probably best positioned to meet this need. Each one of the manufacturer's needs are reflected from a relative perspective on a thermometer with relevant commentary on each slide. In all cases, how a rep can either directly or collaboratively support the need is noted for discussion purposes.

Again, this is a qualitative tool, not a quantitative tool. We fully expect that others may disagree with the placement of the sales channel elements on each thermometer, and that's fine. It means that people are thinking through these topics and tailoring them to their own needs. We hope that this will be a great part of the discussion with any manufacturer: Are these the most important needs? What would you add? Do you agree with the relative ability of the sales channels to meet these needs?

We also put together a slide that details what we believe is the value reps bring to the distribution channel. Although this is referenced on other slides, we wanted to add a summary of this value if needed for the respective audience.

Closing the deal

We have two "discussion guidance" slides with suggested steps manufacturers can take to either confirm the rep model will work for their business or how to objectively address concerns with a challenge to the model.

The appendix contains a variety of important information slides that again may be relevant to the audience: slides validating the financial benefits of the rep model; how reps use the commissions received to fund their business; how a manufacturer benefits from the rep model on

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Greg Thompson, CPMR
Managing Partner
South Atlantic Component Sales (SACS)

With so many ERA members, it is not easy to get to know every rep, manufacturer and distributor 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 Greg Thompson, CPMR, managing partner at SACS, located in Charlotte, N.C.

The Representor asked Greg 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 about yourself.

I live in the Charlotte, N.C., area with my wife of 35 years, Donna. We have three adult children who all live in the Charlotte area also. I have been with South Atlantic Component Sales (SACS) for 25 years where I hold the position of managing partner. I am currently the chairman of the board of the Carolinas Chapter of the Electronics Representatives Association (CERA) after serving as president the past four years.

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

SACS has always been active in ERA. I joined the CERA board about eight years ago and became more involved personally at that time. We have an active chapter, led by President Buzz Reynolds, and a great blend of rep and distribution members. I have been in the rep business since joining Conley & Associates in 1980.

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

I grew up on a dirt road in a small town in central Florida. Johnie Conley and his family were our neighbors, and he hired me after I graduated from college. I had no idea what a rep was or did, but I had great teachers/mentors in Mr. Conley and many others. I will be forever grateful to Mr. Conley for giving me my start in this industry.

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

The friendships made through the years with coworkers, customers, principals, fellow reps and distribution partners are undoubtedly the most worthwhile part of being a rep.

Briefly describe your company.

Founded in 1987, SACS started as a seven-state rep firm covering the Dixie states and Florida. We now cover 11 states as we expanded into the mid-Atlantic states about 10 years ago. We have both a component and systems line card. We have five owners currently, including myself, Dave Winner, John Hurd, Todd Ford and Keith Bonucchi, all CPMR graduates. Although spread out

over a large area, we are a close-knit group. I greatly value the relationships I have with my SACS brothers and sisters.

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

SACS strives for continuous improvement. Recently, we have upgraded our website via Spyre, added a SACS LinkedIn page and increased our involvement with ERA. SACS' Todd Ford and James Brooks serve as officers in the recently reactivated Dixie Chapter of ERA.

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?

SACS has gained significantly from its association with other ERA reps, both locally and nationwide. We gain valuable customer/market information at CERA's networking breakfast meetings and have received recommendations for new lines from our fellow ERA reps across the land.

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

I am trying to become more active, mainly on LinkedIn. With the help of my daughter Jessica, we have established a SACS LinkedIn page where we post SACS updates and follow our partners and connections, like ERA, from my personal and business social pages.

What are some things you enjoy outside of the workplace?

When I am not working, I enjoy reading, church and family activities, such as game nights (Linkee is my new favorite), escape rooms, ballgames and movie outings. We also like to vacation as a family and enjoyed a trip to San Francisco last summer.

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

My sons and I are on a quest to visit all 30 Major League Baseball ballparks. We have 22 down and only eight to go! This summer, we are heading to Dallas to visit the Texas Rangers.



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Reaching profitable rep interns

Photo courtesy of Pressfoto / Freepik.

Finding qualified, passionate, new talent for your small to medium-size business can be a major challenge. With the entire manufacturers' rep business model, manufacturers, rep firms, distributors, wholesalers and even retailers all recognize the expensive time-sync in trying to find an energetic workforce for their tomorrows. Most realize that those peers and competitors who are successful have had to deliberately invest expensive resources and time to fill their candidate pipeline.

PIPELINE. We're all well-versed when it comes to a sales pipeline, but then wring hands and sweat bullets when it comes to finding, onboarding and launching new sales and organizational talent for our own firms. No one will argue that recruiting is a major resource drain with no guarantees. Consider the benefits that many small to medium-size businesses are experiencing by using internships.

According to www.internships.com, there are 10 profitable benefits to internships.

1. Find future employees; year-round, local, and repeatable;
2. Test-drive the talent beyond the initial interview. Try out the fit while getting added manpower;
3. Increase productivity by handing off tasks and freeing up your experienced employees;
4. Increase employee retention rate as

studies have shown that 40 percent of employers reported higher five-year retention rates with employees who started as interns;

5. Enhance perspectives through new talents' ideas, strengths and skill sets;
6. Add low-cost labor without fully burdened expenses and with very motivated attitudes;
7. Find candidates free-of-charge through local colleges, universities and trade schools, or by publishing on websites like www.internships.com;
8. Build community collaboration and business goodwill by engaging local candidates;
9. Get out of the competition with big-name businesses looking for full-time employees; and
10. Facilitate repeatable success with opportunities to grow. Students talk among themselves!

The ERA White Pin Group — through contributing members Mark Motsinger, Ellen Coan, Matt Cohen and Bryan Shirley, working with me — have found the challenging conversation of attracting (and keeping) workforce talent is not new. What makes the objective now different, is a specific focus to address this issue with

(continued on page 34)



Liz Beerman, MA, CSP

Liz Beerman is past executive director of MRERF/IPA – Manufacturers' Representatives Educational Research Foundation.

Liz's background includes extensive terms as director of operations for CQG Inc., corporate marketing manager for Arrow Electronics and global training in consultative sales and marketing for Hewlett-Packard. A graduate in psychology and education from California State University in Los Angeles, she received her Masters Degree at the University of Northern Colorado.

You can call Liz Beerman at 303-463-1801 or email her at liz@mrerf.org.



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**Save the dates — Feb. 24-26, 2019 —
for ERA's 50th anniversary conference!**

The rock is back at the door!

When I was wearing a young(er) man's clothes and was on the road selling electronic components, I would work hard all month to hit my budget. I would track my progress each week with my sales manager to assess my progress and get his/her advice as to what I needed to do better to hit my goal and achieve success for the month.

The month would end and, voila! I hit my budget (OK, sometimes I missed it but work with me here!) ... Whew! Success! I can relax and bask in the glory of success!

However, I had this one sales manager who would review my performance for the month, hand me my sales budget for the next month, and tell me: "The rock is back at the door."

All of my hard work and pushing that rock (my sales budget) up the hill for a month and achieving success, now meant little if anything. It was a new month and a new budget — another new, and perhaps, larger rock to push up the hill! I was allowed no more than a day to relax and bask in my success before I had to get back to work.

I never forgot this analogy. Success is fleeting, and there will always be new and bigger rocks that need pushing up new and steeper hills!

ERA just completed a GREAT conference in Austin. It was a HUGE success! Our many conference volunteers and sub-committees, under the leadership of the Conference Chair Rick LaPiana, rocked the house! They owned that rock and drove it up a huge hill ...

So ... what's next?

The rock is back at the door!

We have already begun to plan for 2019! ERA has renewed its contract for the AT&T Conference Center in Austin, Texas, for Feb.

24-26, 2019. Mark it down. Write It Now (WIN). We want to make 2019 an even better conference with YOUR help and involvement ... BUT we will need your help to push this bigger rock up a steeper hill!

Our membership expects a world-class event for sure.

John Hutson, CPMR, president of MacInnis Group, is the 2019 conference chair. He is putting together a team for the various committee chairs and subcommittees. Raise your hand up and let me or John know that you want to help us "push the rock."

In addition to the conference, ERA is heavily involved with ECIA in planning the EDS Connects Leadership Summit 2019 event in Las Vegas on May 15-18. We have booked an exciting speaker for the ECIA/

ERA breakfast session on Thursday, May 17, at 6:45 a.m.

Elizabeth Laderman, senior outreach economist for the Federal Reserve Bank of San Francisco, will deliver a presentation entitled "Recent U.S. Economic and Financial

Developments and the Outlook." I am confident that her presentation will prove to be most timely and very helpful for all attendees.

EDS is a great venue for all of us to meet with our rep, manufacturer and distributor partners to share best practices, make new friends and reconnect with old ones. The Mirage Hotel is a great venue for this event — exciting, fast-paced and lively for sure.

Stop by the ERA pavilion to meet our great staff, have a coffee and use our area as your base of operations. We would love to see you!

All of us at ERA will look forward to seeing you there ... And remember: The rock is back at the door!

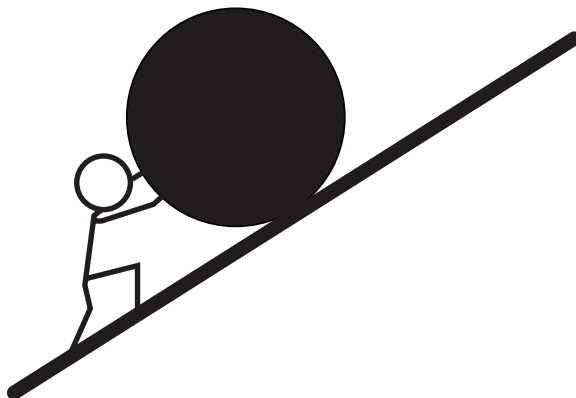


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Bringing value and resources are key to customer access and engagement

There's lots of talk these days about the extinction of the field salesperson. The premise for this argument rests on the customers' apparent ability to find everything they need on the internet, eliminating the need for a salesperson to call on them.

Most field salespeople would likely agree that customers can be "less accessible" than they once were, but that's not because they don't "need" us any more. The voice of the customer will suggest something quite the contrary, in fact. We just need to listen in order to understand the key to customer access and engagement.

Talk to your customers, and most will agree that the internal resources available to them at their companies have been reduced. With consolidations, restructuring and the incessant drive for bottom-line numbers, everyone is feeling the pinch. Where once OEMs were quite vertically integrated and staffed across the disciplines needed to design and produce their products, today's model is quite different. More and more are either outsourced or consolidated to shrinking internal resources. It is the classic story of being asked to do more with less, and in many instances, for less!

It's no wonder that our customers are more discriminating as to how they use their time and how much, or little, of it they make available to salespeople. That said, they are desperate for resources to help them achieve their goals and objectives. Where once those resources

were internal and readily available, in today's world of more with less for less, those who bring resources to the table have ready access to their customers as they are seen more as collaborators than simply salespeople.

It's difficult to establish that type of relationship with the customer because you must have some access to get the audience, to understand the customers' needs, and offer your resources and solutions to those needs.

Manufacturers' representatives have a unique advantage as they can engage with the customers' design teams on many levels with a variety of resources from their principals that apply to the customers' needs. Once the connection is established based on delivering real value to the customer, the rep can build on that access as a collaborative resource.

There is a caveat, however, and one we all need to remember as customers grant us access based on a sense of perceived value. It is critical that we take the time to understand their needs and bring real resources to the table each and every time we meet.

As we plan our customer visits with that next principal coming to town, we all need to keep that in mind. Our customers will welcome us back, and in fact, pull us in, as long as we do just that! They need outside resources to make those bottom-line numbers, and the field salesperson is the one who can deliver those resources. Don't let anyone tell you otherwise!

More and more are either outsourced or consolidated to shrinking internal resources. It is the classic story of being asked to do more with less, and in many instances, for less!



by David Norris
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ERA President
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2018 ERA TELEFORUM SCHEDULE

ERA provides **FREE** access for members to teleforums that cover a variety of business and sales-related topics designed specifically for rep firm, manufacturer and distributor participants.

Visit ERA.org for more information on the upcoming 2018 schedule.

June 21: Reviewing Your 2018 Goals
Aug. 2: Effective Professional Development: How to Do It and Make It Stick
Oct. 11: Evaluating Your Product Offering (Keeping/Finding Partners)

**2018 schedule is subject to change.*



These companies joined ERA during the first quarter of 2018.

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

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Productive paranoia: Understanding what customers value

“Success breeds complacency. Complacency breeds failure. Only the paranoid survive.” It’s a famous quote by Andy Grove, one of the founders of Intel Corporation. He described “inflection points,” the key points when your business model changes. These transitions could be driven by technical shifts, social forces, economic conditions or service disruptions. This voice of paranoia was extended and evangelized by author Jim Collins, described as “productive paranoia” in his book, “Great by Choice.”

Both authors emphasized a productive paranoia approach, where awareness, preparation and proactive activity helped their companies not only stay ahead of the changes, but gain a better position for their companies as a result of them.

For sales representatives, to truly understand the value they bring to customers has been an area of continuous change over the last 30+ years. These changes have been driven by the market inflection points Grove described in his 1996 book, “Only the Paranoid Survive.”

For evidence, one only needs to consider the shifts in the way we communicate and interface with customers. Frequent and welcome in-person visits have morphed into text messages. Friendly lunch-and-learn visits with engineers have dwindled in favor of independent surfing of the web, scouring the sites of high-service partners late in the evening to discover new products and study their specifications. Product cost has become the top priority, with product design features second, and supplier credibility lagging behind, a distant third.

Furthermore, larger customers often employ a team of supplier commodity managers, many of whom hide behind “strategy” and create barriers. These impediments block technical experts and supplier advocates from engaging directly with suppliers. This behavior causes these relationships to become transactional and impede the one attribute all

good salespeople bring to a customer — trust.

This weakened bond between sales and end user has its drawbacks for customers as well. A lack of commercial and technical support may strike during times of crisis, reduced expediting and delivery support may materialize when markets swing from down to up, and there may be a failure to adequately share detailed product roadmaps or collaborate to identify and support technology trends.

So how do salespeople manage to stay in front of their customers and demonstrate their value? The need to do so is great, but the challenge is formidable.

Design engineers, huddled in their cubicles, are hard at work. Management requirements for blazing speed and minimal cost can cause engineers to miss essential specifications, cut design and testing corners, and choose lowest cost solutions without fully factoring in end environments or product life cycles. An engineer in a pressure cooker environment will not make time for a sales call, but he or she will make time

for a trusted advisor.

The phrase “trusted advisor” has been used frequently. It takes the value of a salesperson well beyond just selling products and makes him or her indispensable.

For sales representatives to build customer trust, they must expect and prepare for change (technical, social, economic or service). Salespeople must adopt a “productive paranoia” approach and embrace change by monitoring and adjusting their traditional ways of doing business. It is crucial for representatives to address key elements within their control: collect cell phone numbers of key contacts; support engineers outside of core business hours; highlight only those products relevant to the engineers’ needs; demonstrate the ability to pull in the second wave of field application engineers, suppliers’ design engineers, quality group or other reinforcements as needed, to solve a problem; provide facts and quantitative

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by Tom Wichert
Executive Vice President of
Sales and Marketing
TDK-Lambda Americas

Tom Wichert, executive vice president of sales and marketing 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. He specializes in strategic relationships, business plans and new product development.

Wichert enjoys managing and mentoring people to perform to the best of their abilities. He has an MBA in marketing from Hofstra University and a B.S.E.E. from West Virginia University. You can reach Tom Wichert at tom.wichert@us.tdk-lambda.com.

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Our industry is transforming. Are you?

In our fast-moving industry with consolidation, margin compression, shifting line cards and expanding customer demands, companies that stand still get left behind. Fortunately, new opportunities are everywhere — from the power of digitization, predictive analytics and artificial intelligence (AI) to low-cost support models and value-add solutions for customers of all sizes.

When you consider this burgeoning environment in the context of the current global economic landscape, with growth in 2017 estimated at 3.7 percent and 2018-19 forecasts of 3.9 percent¹, there are plenty of reasons for optimism in the global electronics industry. While everyone wants to take advantage of these brighter economic times, the question that we frequently hear is where do we invest to stay competitive and relevant as the requirements of existing and emerging customers continue to evolve?

At Avnet, we believe that the Internet of Things (IoT) and the multitude of innovative capabilities born of “computing at the edge” will be the key to generating the kind of disruptive transformation needed to drive long-term business growth and deliver truly differentiated customer experiences.

A trillion reasons to get excited

To appreciate the magnitude of these opportunities, let's look back at some major technology shifts that have changed the course of the tech sector and, by extension, the global economy.

During the 1970s, IBM and other main-frame vendors sold tens of thousands of units each year. In the 1980s and 1990s, the market became saturated with personal computer manufacturers selling hundreds of millions annually. With the launch of Apple's iPhone in 2007 and the first Android phone in 2008,

we saw a billion-plus smartphones shipped globally each year.

Today, we are in a very exciting era with the global IoT market forecasted to grow from \$2.99 trillion in 2014 to \$8.9 trillion in 2020². Walking through CES 2018 earlier this year, we saw all kinds of amazing new IoT gadgets, and nearly every category of device got “smarter” thanks to AI and voice assistants such as Google Assistant and

Amazon Alexa. We saw wall-sized televisions, razor thin laptops, autonomous electric cars and the world's first smartphone with an in-display finger scanner.

The number of electronic components in these smart devices is increasing dramatically, creating a whole new ecosystem for our industry. Each and every one of us has an opportunity to stake our claim. I feel fortunate to have a front row seat to all the innovation and transformation taking place.

From top supplier partner to fast-growing global customer

One thing has become abundantly clear — the traditional “swim lanes” that once separated the various players of the technology supply chain are defunct. A great example of the blurring of lines within the technology ecosystem is illustrated by one of our longtime supplier partners, Molex. Acquired in 2014 by Koch Industries, Molex's new parent company transformed the business to extend a solution strategy in 12 industries. Today, with 72 factories worldwide, Molex is one of Avnet's fastest growing customers. As a global provider of electronic solutions that are integral to a diverse range of end products — from smartphones and electric cars to robotic surgery tools and the Mars Rover — Molex seized IoT and computing at the edge opportunity to

(continued on page 19)



by Phil Gallagher
President, Core Distribution Business,
Avnet

Phil Gallagher is president of the core distribution business for Avnet. He leads the company's broadline distribution business globally with three regional presidents reporting to him — spanning the Americas, Europe and Asia Pacific.

Gallagher began his career with Avnet in 1983 and has held executive leadership positions in sales, marketing and operations during his 30-year career with the company. He has served as president of both of Avnet's business operations, the electronics component business for the Americas from 2004 to 2009, and the IT business globally from 2009 to 2014.

A past president of the National Electronic Distributors' Association (NEDA), now part of the Electronic Components Industry Association, Gallagher received one of the organization's highest honors, the Gail S. Carter Award, in 2009.

He holds a bachelor's degree from Drexel University.



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FROM THE FLOOR: Productive paranoia

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data regarding the value of longer-life components and cost of ownership; ensure your sales team is trained and highly knowledgeable on products; understand your supplier's escalation procedure; and communicate the status of your project to your key contacts.

Finally, anticipate your customer's engineering development and production needs based on your history with the customer!

The last item is essential and highlights one of the bigger benefits of the sales representative model: a local relationship with knowledge of the customer. Your commitment can and will help them be successful.

An interesting example from another industry where local customer knowledge helped a small company achieve success against a large company, can be found in True Value Hardware's comeback against Home Depot and Lowes. Home Depot and Lowes are big-box retailers focusing on cost.

True Value Hardware made a conscious effort to focus on service. It hired employees who deeply understood their products, had local customer knowledge and relationships which allowed them to anticipate their customers' needs. True Value Hardware used this model to out-service the large chain stores and achieve success.

The visionary ability to prepare for the unexpected is what separates a great selling organization from the mundane. What never changes are the two essential characteristics found at the core of every successful selling relationship — trust and commitment.

For the representative sales model, a rapidly changing environment of technology, service and social disruptions will continue to occur with little warning. Grove's and Collins' messages still prevail and offer up this great business advice: Beware. Only the productive paranoid will survive! ■

OFF THE SHELF: Industry is transforming

(continued from page 17)

form a new value proposition and propel business growth worldwide.

Taking ideas from kitchen table to market

The latest technology innovations also have served as a powerful enabler of a new legion of emerging customers in the maker community. Some of today's most innovative and disruptive concepts are being developed by "recreational" designers in garages, dorm rooms and the kitchen table. We are also seeing new revenue streams for our industry coming from organizations that have not previously employed electronics, but are now seeking to remotely measure, monitor or control something. Farmers, for example, who have seen the technology in their tractors and equipment evolve, are now increasingly leveraging IoT, using low-cost sensors, drones and machine learning algorithms to improve farm productivity, reduce spoilage, monitor supply chains, manage water and much more.

Winners in our industry will adapt to customers of all sizes, supporting them with tools and resources needed to scale and take their products to market, including financing and infrastructure. Our customer, PNDULUM, is a fully integrated, consumer product development and innovation company. They came to us at the prototype stage with technology for a smart, self-cleaning duffle bag that deodorizes, sanitizes and "anti-bacterializes" clothes, shoes

and accessories. Through our partnership, we helped them bring their product to market in just six months, versus the two years that they had originally projected.

Start your transformation journey

Ten years ago, I would never have dreamed that I'd be sharing customer stories like these. We are living in a time with so much innovation that it's hard to know where to go next. But, go we must. The time is now for new partnerships and collaborations. Smart people everywhere are finding new ways to solve business challenges and improve how we live by leveraging technology to make products and services more efficient, cost effective and, perhaps most crucially, more valued.

While we talk about edge computing, AI and IoT today, who knows where the next technology shift might take us tomorrow? One thing is certain: I'll be ready to adapt and embrace change so that Avnet can continue to serve as a trusted partner to our customers and suppliers. I encourage you to do the same. ■

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1. *The International Monetary Fund (IMF) - World Economic Outlook Update, January 2018*, <https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>
2. Statista

COVER STORY: Value of reps: renewed look

(continued from page 6)

long-term programs; and examples of hybrid sales structures.

Like every good sales presentation, we need to ask for the order. Our “close the deal” statement asks the manufacturer to ponder the following issues:

You may need to take a closer look at reps if...

- You are challenged to reach all the customers that you want to engage with your own sales team;
- Customers may not naturally go to your e-commerce portals without human sales interaction;
- Distributors may not be positioned to actively advocate your products to strategic markets and customers;
- You are concerned that your distributors are trying to satisfy you and all of your competitors at the same time;
- Your understanding of what a rep can do for your company is from years ago or from a limited experience with one or two reps;
- You require more flexibility to adjust local customer support as customers move, grow or disappear. And, you want those changes to happen quickly, without delays due to hiring, training and HR; and

- You think reps are “too expensive.”

These issues circle back to all the previous manufacturers’ needs highlighted in the presentation. They are meant to lead to an examination of what are the critical needs of a manufacturer and how reps can help address those needs. The last bullet is meant to position manufacturers to look at the financial aspect of funding their selling organization. The benefits of a variable versus a fixed cost model are easily defined, but manufacturers’ ROI from commission dollars needs to be emphasized. Manufacturers need to be encouraged to look at the rep model not as a “save money strategy,” but more of an “invest differently” one.

The journey from Austin

The true value of this tool is not the presentation and discussion in Austin. Instead, the value will come from how conference attendees and ERA members use this tool to advance their own business goals. Most conference presentations (and any presentations from a consultant) are shared in a PDF file format so that they cannot be changed. This presentation is being shared as a Microsoft PowerPoint file so that it can be adapted to your needs. There may be points that you want to delete or add. You may want to personalize it with your company’s logo, or with the target of the presentation. The file also includes speakers’ notes to refresh the memory of people who attended the session and, more importantly, help those who did not attend to guide the discussion.

We suggest that you take these actions:

- Take an hour to review the PowerPoint file and speaker notes in the next two weeks.
- Think about how you might use this material – with a manufacturer, your own team or a distributor.
- Adapt the material for a specific session. Edit, modify, add in any way that meets your needs.
- Share your real-world experiences with ERA (Walter Tobin). We want to know what worked, or didn’t work, so that we can consider changes for the future.
- Mark your calendar six months out. You may not have an immediate need for this material, but revisit it in six months because a new need may have arisen.

We hope that you will find this presentation to be a valuable tool to drive your business relationships. To download the PowerPoint file from this breakout, go to: <http://era.org/era-events/era-2018-management-marketing-conference/2018-era-post-conference-breakout-seminars/>. ■



Cesare Giammarco
ERA Consultant

Cesare Giammarco has been in the field of sales and sales management since 1971, with 35 of those years in the electronic component industry. In those 35 years, he has instituted, managed and integrated manufacturers’ reps globally into multiple organizations.

Starting in 1984 with Elmwood Sensors, a privately owned global manufacturer of temperature sensing products, he led successful integration of the rep sales model through four acquisitions of this business, culminating with Honeywell Sensing and Controls in 2002. He retired from Honeywell in May 2015 and is now a special consultant to ERA on best practices to further facilitate the rep sales model.

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John Simari
ERA Consultant

John Simari held a range of sales and marketing positions at Texas Instruments (TI) prior to his retirement in 2016 after a 37-year career. For most of that time, John was a key contributor to TI’s worldwide distribution program. He has held positions as worldwide distribution director, Americas distribution director and worldwide account manager for distributor and OEM accounts.

Simari has been an active contributor to industry activities, having served for eight years on the Electronic Components Industry Association (ECIA) Board of Directors and Foundation Board. He also is a business leadership center instructor at the Southern Methodist University Cox School of Business in Dallas.

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As a public service, rep lawyers offer free advice to principals

With surprising regularity, principals are taking legally flawed positions when reps must resort to legal action to collect commissions due, particularly following a termination. The assertion of defenses doomed to fail increases costs to both sides, fails to advance the litigation and generally serves no one's interests.

Based on the pursuit of commissions due and unpaid to independent sales representatives for a combined 50+ years, the authors are in a unique position to offer some (unsolicited) advice to our manufacturer friends on how to defend commission litigation, or more accurately, how not to defend such claims.

Well aware that free advice is often worth the price paid for it, we respectfully chronicle below four commonly attempted — and consistently rejected — defense arguments. While they will not disappear, by explaining the futility behind these time-wasting positions, perhaps they will be thrown against the proverbial wall somewhat less often.

Many valid, or at least colorable, defenses can be and are asserted in response to unpaid commission claims, but these four don't cut it.

'Best efforts' clauses are vague and rarely enforceable

"Best efforts" clauses are not get-out-of-jail-free cards. All too often, when suit must be brought to recover unpaid commissions, a principal attempts to defend by asserting that the rep firm failed to use its "best efforts" to promote the product line, as the contract requires. This is no defense and certainly does not support a counter-claim.

If reps are truly not performing, they must hear from their principals about unmet expectations. Reps are used to receiving constructive criticism, and welcome open, two-way lines of communication. In the worst case scenario, non-performance or underperformance is a sound basis for exercising the right to terminate contained in most rep contracts. It is not, however, grounds to allow the contract to remain in effect and withhold commissions.

The principal who attempts to pull out a contract's "best efforts" provision as a legal defense or even as a counterclaim after getting sued for non-payment of commissions is what is sometimes known as an "amputee defendant" or a defendant with no leg to stand on.

Any sales rep can be accused of failing to use "best efforts." This is why judges look at this accusation with skepticism. It is far too easy for a principal who receives millions of dollars in new orders from the diligent efforts of its sales rep to claim that, had the rep only applied his or her "best efforts," the yield would have been untold millions more in sales.

Part of the reason judges don't buy it is the phrase "best efforts" is usually undefined in the contract and as a practical matter, it is undefinable. Principals know at the time of contracting that independent reps carry multiple lines. The rep's line card is usually disclosed and often featured on the rep's website. Principals know they will receive less than 100 percent of the rep's time. Full-time salespersons are readily available and are known as "employees," requiring a guaranteed salary, insurance plan and other benefits: 401(k), use of a company car, travel allowance, expense reimbursement, office space, etc.

A sale made for Supplier B could always be construed as infringing upon the efforts Supplier A expected to receive. Yet, time spent promoting Supplier B's line is not evidence that the rep failed to use his or her "best efforts" on behalf of Supplier A; it is evidence that the rep serviced multiple lines, as virtually all independent reps do.

The solution for Supplier A is to incentivize the rep to spend disproportionate time promoting its products, not to dredge up the tired "best efforts" argument when its non-payment gets challenged in court. This argument merely gets older, not better.

The right to terminate does not also bestow a right to reduce commissions

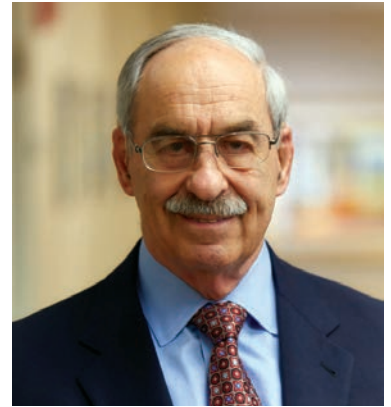
A principal who unilaterally lowers the commission rate forces the rep to either accept the reduced rate or resign the line. Such a reduction is usually a breach of contract, of course, and when it is challenged in court, the principal may argue that because the contract enabled it to terminate (with as little as 30 days notice), it impliedly also gave it the right to take the less severe step of simply reducing the commission rate.

Such an argument ignores the economics at play for reps. Taking a product line at a 7 percent commission rate may yield enough margin for the rep, but working the same line at 4 percent

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Forward Thinking
Strategic Counsel
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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.

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LEGALLY SPEAKING: Free advice to principals

(continued from page 21)

was never bargained for or agreed upon. This reduced rate might well have led the rep to pass on the proposed contract altogether. Such a backdoor effort to obtain the rep's services at a lower commission rate than agreed upon is virtually never endorsed by a court.

Were this approach to contract performance successful, consider the mischievous arguments that could follow: "We had the right to terminate the contract altogether in 30 days, Judge, and instead, all we did was demand the rep turn over her list of contacts in our territory." Or perhaps, "Judge, we were set to terminate the relationship, but we thought we'd be nice guys and only halve the commission rate and pay it out when we had the cash on hand."

The right to terminate is self-limiting; it does not enable the principal to rewrite the rep agreement. Contract changes must get negotiated and agreed upon, and they cannot get imposed absent express authority in the contract.

Terminated reps are in no position to identify all withheld commissions

Rep litigation often begins with the principal's attorneys demanding the rep identify "each and every sales transaction" on which they claim commissions are due. Particularly when the rep is claiming post-termination commissions, the principal will ask, apparently with a straight face, for the rep to specify the commissionable sales at issue. "How can we be expected to defend this case," they bellow, "if you don't tell us which sales you are disputing?"

In other words, the same principal who previously cut off the rep's access to their sales data, often before the effective date of termination, will now point a hypocritical finger at its former rep for "withholding" that very data, the data only it possesses. Invariably, the judge comes to understand how the process works and the ploy fails, but not before both sides burn through valuable time, legal fees and good will.

When commissions are allegedly due and unpaid, the rep needs the sales records from the principal, not the other way around. The rep cannot specify the orders on which commissions went unpaid until the principal produces the complete sales history for the relevant time period.

Customer order records are important not only to the principal, who manufactures and ships the product, but also to the rep, who creates the demand for the product and procures its sale. Although these orders are frequently directed to the principal, the rep's compensation is equally tied to them, and they should be equally accessible.

And one more thing. The requirement to furnish the sales records is not met by producing a spreadsheet prepared after the rep filed suit. The rep cannot be expected to trust that all potentially commissionable sales will be disclosed under such circumstances. This is why, when pressed, courts will generally compel production of the underlying sales records that presumably form the basis for the spreadsheet. The integrity of the process demands no less.

Split commissions never get split with the house

Contract clauses enabling principals to split commissions among sales reps are the industry norm where, for example, the design work is performed in one territory and the shipment is into another rep's territory. Splits are acceptable because they work both ways, and usually even out.

The customary system finds Sales Rep A, who spent years of time and countless resources procuring an order, splitting his or her hard-earned commission with Sales Rep B, who just happens to cover the faraway territory where the product is shipped. This isn't altruism; it's recognition that Sales Rep A may soon be the territory rep eligible for a partial commission after the design work is performed by faraway Sales Rep C. Importantly, 100 percent of the commission gets paid either way.

However, a principal without an independent rep in each sales territory may sometimes be tempted to pay only a partial commission nonetheless, keeping for itself the split for the rep-less territory. This causes the entire rep-principal relationship to break down.

Without multiple sales reps eligible to receive a split commission, the prerequisite for a "split" is not met. When no Sales Rep B is in place, the entire commission is earned by Sales Rep A. If the principal retains any part of the commission, then it is paying a reduced commission, not a split commission, in violation of the contract as well as the industry standard.

In conclusion

Perhaps few principals read this column, and surely few readers of any sort read it to the end, but if principals used their best efforts to obtain sound legal advice, they would find they cannot rewrite contract law to serve their interests. They should identify legitimate and sustainable factual and legal positions, rather than reduce or split valid defenses with legally flawed arguments. ■

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New tax law: Interpreting key changes and their impacts in 2018

I have been asked to report on the new tax law. The law was passed so quickly that many technical questions remain unanswered. Most experts believe that a bill revising parts of the law will be required to clear up unaddressed questions. Here is the best I know so far.

The most significant, completely new idea is the creation of a 20 percent deduction for S corporation stockholders, members of partnerships and limited liability companies (LLCs), and sole proprietorships. The deduction is on the personal returns of the owners and is not on the company at all. Apparently, it will be a deduction on the level of standard and itemized deductions after adjusted gross income. It will be based on the combined S corporation and partnership holdings. Things get more complicated from here. The 20 percent deduction is good for each tax return until the adjusted gross income reaches \$157,000 for an individual return or \$315,000 for a joint return. Above that income, a calculation is required and the reduction becomes:

The most significant, completely new idea is the creation of a 20 percent deduction for S corporation stockholders, members of partnerships and limited liability companies (LLCs), and sole proprietorships.

The lesser of:

20% of the S corporation and partnership earnings (as above);

Or the greater of:

a) 50% of the W-2 wages of the S corporations and partnerships;

Or:

b) 25% of the W-2 wages plus 2.5% of the original cost of all assets whose individual "applicable depreciation period" has not expired. For autos, computers and electronic items, the period is five years; furniture, seven years, for example. This is different from the actual depreciation allowed on the business tax return.

These figures will have to be supplied to all shareholder/partners on their form K-1s because the companies may not be in a position to know the income of the owners.

However, there is still another complication. Above the \$157,000/\$315,000 income

level, the income from certain businesses lose the deduction entirely over the next \$100,000 of income. These are the usual suspects of professional corporations, such as doctors and other health professionals, lawyers, accountants, consultants, athletes, brokers, etc. Specifically missing from this list are architects and engineers. BUT it includes businesses based upon the "reputation or skill of the employees or owners." This presents an enormous problem: How could any business succeed if it was

run by a bunch of morons? This phrase replaced a more specific reference in the "personal service" section to artists and performers.

I would like to believe that sales representatives would be excluded because their income is based on commissions from sales, not personality or pure skill. Reps were definitely excluded from personal service corporations, but you just never know. Once again, under \$157,000/\$315,000 of income this is not a problem.

Moving on to other personal law changes.

The most significant is the limitation on the deductions for real estate taxes, state income and sales taxes to a combined maximum of \$10,000 per return.

Congress further eliminated the miscellaneous deductions subject to the 2 percent of AGI limitation. These included a number of important deductions: broker fees, tax preparation fees, legal costs pertaining to finances, employee job costs — including courses to maintain and improve job skills — and employee expenses related to their jobs that were not reimbursed by their employers (e.g., entertainment and auto use). Employers may need to reevaluate their reimbursement and compensation policies to alleviate this tax burden on employees.

Also eliminated was the deduction for casualty losses except in the case of a federally stated disaster area. Your burglary, your fire



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.

You can call Stan Herzog at 847-564-1040, fax him at 847-564-1041, or email him at sherzog@theahagroup.com.

(continued on page 30)

ERA's 49th Management and Marketing Conference delivered many useful tools to attendees



Tools of Our Trade—
Constructing a Successful Future



ERA's 2018 conference, held Feb. 25-27, was the association's first sold-out event. More than 300 reps, manufacturers, distributors, suppliers and consultants came together for two days of educational programming and networking activities. The agenda included a welcome reception, an opening keynote, four general sessions for all attendees, 16 breakout seminars and a theme party.

The 2019 Conference Committee is now forming, under the leadership of the chair, John Hutson, CPMR, and the 2019 event is already scheduled on Feb. 24-26 at the same site, the AT&T Conference Center in Austin, Texas. Save the dates, and watch for details coming soon.



Top left: With the weather cooperating, the conference welcome reception was a busy scene outdoors in the courtyard of the AT&T Conference Center.

Center left: (l. to r.) Matt Pansing of Midtec Associates, Byron Holloway of Fralia Company & Associates and Hugh Shyba of Westech Associates toasted the opening of the conference.

Lower left: Also at the reception, Mark Motsinger, CPMR, of Wallace Electronic Sales, chair of ERA's White Pin Group, and Conference Committee Chair Rick LaPiana of the Cain-Forlaw Company may have been discussing the 2018 White Pin Reunion, which was held right after the reception.

Below: Michael Knight of TTI, Inc., was the conference closing speaker for the second consecutive year. His presentation focused on the customer and supply chain of tomorrow.



Conference survey feedback:
"Every breakout I attended provided real tools to take away from the session."



Below left: At this year's White Pin Reunion, John Hutson, CPMR, of MacInnis Group, received the 2017 Jess Spoonts - ERA White Pin Group Scholarship Award.

Center: At the conference awards luncheon, ERA President Dave Norris (left) of Norris & Associates presented the 2017 Ray Hall Spirit of ERA Award to Chuck Tanzola, CPMR, of the Fusion Sourcing Group.

(Right) Kathie Cahill, CPMR, (left) was presented with the second annual Tess Hill Award by the award's namesake, ERA's retiring conference coordinator, Tess Hill.

(See News Beat in this issue for details on these awards.)





Above: Paul Nielsen, CPMR (far left), of Brainard-Nielsen Marketing, a past president of ERA, was one of 34 volunteer table leaders who led discussions after each general session presented during the conference.



Above left: Bryan Teen (far left) of Tech Marketing was another table leader whose discussion notes captured attendees' main takeaways from each general session. The notes were collated and provided to all attendees after the conference. Those notes are also now available on the post-conference pages on ERA's website. All members and conference attendees have received a link to and password for those pages.

SEEN AT THE CONFERENCE THEME PARTY:

Left: Jim Moore of Fralia Company & Associates and his Dallas-based Empty Pockets Band provided the musical entertainment at the party.



Left: Enjoying the party were (l. to r.) Spencer Feller of Logix Sales & Marketing, Kurt Devlin of Ohmite / Arcol / Davies Manufacturing and Derran Smith, also of Ohmite.



Left: ERA's legal counsels Gerry Newman (left) and Adam Glazer were accompanied to the event by their wives, Barbara and Leslie.

Below: The lively line dance instruction at the party was provided by Scott Lindberg of Quell (far right) with the assistance of his wife Cheryl (far left).



Conference survey feedback:
"This is one of the best managed conferences I have ever attended ... The attention to detail and the quality of the programs, speakers and events is exceptional and one of the reasons I will stay involved and continue to attend ..."



Above: Also enjoying the party were ERA Membership Outreach Coordinator Stephanie Tierney (center) with Brook Merchant and his daughter Mallerie of R. C. Merchant & Company. Brook and Mallerie represent the third and fourth generations of their family who have been involved in their rep firm and in ERA.

Right: And yes, that's ERA CEO Walter Tobin singing Sharp Dressed Man while doing his impression of ZZ Top lead singer Billy Gibbons.



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

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SPYRE GROUP offers resources that help sales rep firms provide value to the manufacturers they represent and increase efficiencies for their sales teams. It provides web, print and presentation development services, along with packaged solutions. For details, contact Patrick Knoelke at 913-499-6014, or visit spyregroup.com/rep.

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REPFABRIC is a mobile efficiency tool that speeds up the entire workflow of business including email, opportunity tracking, commission reconciliation and principal reporting. Contact Repfabric at info@repfabric.com, or call 844-737-7253, x225, to schedule a consultation.

ERA RepProtect is an insurance resource for manufacturers' representatives. Full package coverage is available, including commercial general and product liability. Unique to ERA, professional liability is available for reps who advise or provide design assistance which goes past what general liability covers. Learn more at normanspencer.com/erareprotect, or call Byron Spencer at 800-842-3653, x223.

INSPERITY provides human resources and business solutions designed to help improve business performance. Visit insperity.com/era, or call 800-465-3800 for details.

ORGO SALES ENGINE is a software program for sales organizations on the go. It tracks sales from multiple manufacturers; reconciles commissions with ease; offers sales reporting tools; and makes communications with team, factories and customers intuitive and quick. For details, visit orgosales.com.

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JJM SEARCH is the global executive search firm founded by Carla Mahrt, a 20-year electronics industry veteran. JJM is part of the MRI Network – leaders in the search and recruitment industry for over 40 years. Let Carla connect your company with bright, qualified candidates for your openings. For details on JJM, go to jjmsearch.com.

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EMPOWERING SYSTEMS offers ERA members discounts on its CRM tools for both reps and manufacturers. Online demos are available for both the AccountManager and AccountReporter programs. Visit empoweringsystems.com for details.

ERA UNIVERSITY provides members, employees and families with hundreds of online college, business, technology and special interest courses through 1,500 educational institutions. The instructor-led classes offer live interaction and access to lessons 12-4-7. Most classes run six weeks and include 12 two-hour lessons for \$79. For details, go to ed2go.com/era.

ALL ERA TELEFORUM AUDIO FILES, covering 30+ educational topics for reps, manufacturers and distributors, are now available at no charge to members. To review the teleforum library and download files, go to era.org.

REMBRANDT ADVANTAGE offers tools for employee selection, development and evaluation. ERA members say they can't do without this company when bringing new people on board or evaluating current personnel. For more information, visit rembrandtadvantage.com.

UPS is an ERA member service provider for shipping of all kinds. For discounts of up to 34 percent, call 800-MEMBERS (636-2377).

For a complete list of ERA's Recognized Resources, check out the Member Services page at era.org. Then link to a service provider's home page for more information. Or take advantage of services from companies like Avis and Hertz Car Rentals (which are accessible ONLY via the ERA website).

The 2018 ERA National Conference concluded at the end of February. It was the largest conference in recent years for our organization. More than 300 attendees gathered in Austin on the University of Texas campus. Attendees hailed from our three constituents — manufacturers' representatives, manufacturers and distributors. The atmosphere was vibrant; the presenters were informative and thought provoking; and the conference content lived up to its title: "Tools of Our Trade — Constructing a Successful Future."

It occurred to me that if we do not "construct" our future, the future will "constrict" us.

All of us who attended the conference were exposed to valuable tools with which to forge ahead in this economy and on into the future. At the same time, however, we were offered various views on how that future might look and how our activities and roles could change. I believe in these changing times there will be many challenges ahead for all of us. Adaptation and employment of these tools may well be the difference between success and failure in the years to come, and perhaps even this year.

According to Tom Derry of the Institute for Supply Management (ISM), 2017 was a good year for manufacturing in the U.S. Among the reasons cited was the overall resurgence of the global economy; the value of the U.S. dollar abroad was a contributing factor as well. In the Winter 2018 issue of *The Representor*, ERA Industry Forecast survey results showed that more than 85 percent of respondents rated 2017 as being a good to excellent business year; over 75 percent of the replies came from manufacturers' reps. In addition, over 90 percent of the respondents believe that 2018 will be even better.

I tend to share in this optimism, but the cloud of component shortages still seems to loom over our heads. Also in that issue of *The Representor*, in my column, I recounted many industry pundits talking about the sad state of affairs as it relates to component lead times and availability. All indications are that this is not going away any time soon. While 2018 looks good on paper, I wonder what kind of impact these shortages will have on our somewhat booming economy and global manufacturing picture.

This year's conference was a great barometer of how folks in our industry are seeing the year unfold. I look forward with anticipation to EDS 2018 to see what kind of atmosphere prevails with many of the same participants, as well as many more manufacturers in attendance. See you there!

Feel free to share your comments and opinions; you can reach me at bevans@ekmicro.com.

On Dec. 23, 2017, we passed one of the most significant milestones in technology development. The transistor officially turned 70 years old. Wow! I'm older than the transistor. This brings to mind a comment one of my professors made: "Scientists at Bell Labs have invented a device called the transistor that may one day replace the vacuum tube." I would say that was an understatement. That development has certainly revolutionized our world as we know it.

Today, it's hard to imagine a TV with a CRT rather than a flat screen. Our phones have more computing power than a very large room-size computer using vacuum tubes. It boggles my mind to look back at what has evolved from that development and think about what lies ahead. We are on the edge of using artificial intelligence, which allows machines, equipment and robots that "think" to perform many tasks we would have thought impossible just a few short years ago. Using what has evolved from that humble transistor, we have automated, mechanized and given machines the ability to perform many functions better, faster and more efficiently than we can ourselves.

Without that development in 1947 and the evolution, or should I say revolution, that it has made in our history, we would not have the space station, Hubble Space Telescope, space travel, cell phones, the computer I'm using to write this column ... I could go on and on. It's hard to imagine life as we know it today if William Shockley, John Bardeen and Walter Brattain of AT&T Bell Laboratories had not introduced us to the transistor. What and who will introduce us to the next "transistor?"

Today we are on the cusp of just getting into our car, or an Uber or Lyft, and saying: "Take me to the office," or any place else, and the car — without a driver — will take us there. Or we will soon get into our "flying car," back it out of the garage and take off to our destination. Public transportation is exploring "driverless" buses. In fact, here in Tampa, we have some small buses in trial situations now. And look out for that driverless 18-wheeler! They are in fact being tested.

We are fortunate to be involved in this exciting industry that has and is pushing the boundaries that are moving us ahead at an amazing speed. Think about the contribution this one development has made to industries — automobiles, aircraft and space exploration — as well as the things in our business and daily lives that we now take for granted.

As reps working with factories and customers deeply involved in this fascinating and exciting industry, we have the opportunity to witness many of these advancements taking place right before our eyes. I remember the opportunity to see much of the development of the international space station. Prior to that, I was in almost daily contact with those involved in the C5A program. I was in awe of that behemoth. I'm sure we all have memories like this. I encourage you to look for and enjoy these experiences while you do your part in supplying the materials needed to bring projects to fruition.

And, I ask one more time: What will be the next "transistor?"

COMPONENTS

Bob Evans, CPMR
EK Micro
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Changing times bring challenges ahead

MATERIALS, ASSEMBLY, PRODUCTION & SUPPLY

Troy Gunnin
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Tampa, Fla.

Celebrating technology milestones while looking to the future

THE SUBJECT IS TAXING: New tax law

(continued from page 25)

— you own it.

The interest on new mortgage loans is limited to mortgages not exceeding \$750,000, down from \$1,000,000. Deduction for home equity loan interest also was eliminated. This will affect a lot of individuals. One helpful factor is that the overall reduction of itemized deductions was again eliminated.

As you can see, itemized deductions have been decimated. Charity rules were unchanged. In fact, the maximum allowable deduction was increased from 50 percent of adjusted gross income to 60 percent. There is one important limitation: Excess portions of college football tickets will no longer be allowed as a charitable deduction. Non-two-percent miscellaneous deductions, like gambling losses, were also untouched.

To offset some of this, the standard deduction was doubled to \$24,000. BUT the personal exemptions were eliminated. So people with one kid are already at a disadvantage. For a married couple with no children, the decrease in taxable income is a mere \$2,300.

Alimony paid on divorces after Dec. 31, 2018, will no longer be deductible to the payer, and will not be taxable to the recipient. Just another item that will affect divorce decrees.

One of the more helpful parts of the law is the reduction of the Alternative Minimum Tax. Formerly the tax could have been incurred after \$39,375 of income for single individuals and \$84,500 for married couples. The new law raises these figures to \$54,700 and \$109,400 respectively. Further, there was a phase out which cut into the minimum level as income increased. That elimination does not start until income reaches \$500,000 for an individual and \$1,000,000 on a joint return.

Finally, business losses on individual returns can no longer be carried back two years; such losses can only be carried forward. My personal reading is that such losses can still first offset current year income from all other sources. One of my sources indicates that the offset may be limited to 80 percent of taxable income. However, this remains a grey area because the law is not clearly written and the examples furnished do not adequately explore the situations.

The estate tax exemption was doubled to \$11,200,000 of net assets at death per person. Let's discuss other business issues.

The corporation income tax rate has famously been reduced to a flat 21 percent. While large corporations sent up a cheer, it is important to realize that small corporations netting less than \$50,000 per year have been paying 15 percent. This represents an INCREASE of 6 percent for them. I computed that such small firms would need a net income of over \$90,000 per year before reaching parity with the new 21 percent rate. These firms should now consider Subchapter S status at the end of the corporation current year.

The special tax rate for service corporations (35 percent) was eliminated.

Entertainment has been completely eliminated beginning Jan. 1, 2018. The only deductible meals will be for those employees on travel status and only at 50 percent.

Business assets have received super treatment for writeoff in the new law. For assets purchased before 2023, companies can write off 100 percent of their equipment purchases as bonus depreciation. The allowance is actually retroactive to Sept. 27, 2017. Beginning with 2023, the percentage drops 20 percent per year until it reaches zero on Jan. 1, 2027. This allowance includes vehicles over 6,000 pounds. For the first time, used property can use the bonus writeoff privilege. The privilege does not extend to property from a trade-in, except for new cash, or to property bought from related parties.

Depreciation for automobiles under 6,000 pounds in 2018 is: \$10,000 for year of purchase, \$16,000 in year two, \$9,600 in year three, and \$5,760 annually thereafter.

Business interest expense could become a problem for larger businesses. Businesses with income in excess of \$25 million can only deduct interest to the extent of 30 percent of their taxable income plus interest income. Real estate businesses and auto financing are excluded.

The Domestic Activities Deduction has been terminated, along with corporation AMT.

Another somewhat significant provision is eliminating the "technical termination" of a partnership when the majority owner has died. This was a real downer for a partnership compared with a corporation which is considered to have a life of its own. Partnerships can now continue per the tax code. I cannot comment on state laws.

There are many more provisions that are too technical to advance here. I have not addressed estate changes and there may be re-interpretations of some items above. This is the best I can do right now. ■

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EDS BREAKFAST PROGRAM TO FEATURE FEDERAL RESERVE ECONOMIST

ERA and ECIA (the Electronic Components Industry Association), the co-sponsors of the EDS Summit, will host their annual breakfast program at the event on Thursday, May 17, at 6:45 a.m. in the Mirage Events Center in Las Vegas. The free breakfast is open to all EDS attendees.

The guest speaker at the breakfast will be Elizabeth Ladermann, senior outreach economist in the Economic Education and Outreach Department of the Federal Reserve Bank of San Francisco. She says her presentation “will focus on explaining the ‘dual mandate’ goals of maximum employment and stable prices that Congress has given the Fed for monetary policy and reporting on where the U.S. economy is with respect to those goals and where it’s headed.”

Reservations for the breakfast are requested in order to ensure adequate seating. To register, go to era.org.

MAJOR AWARDS PRESENTED AT ERA CONFERENCE

ERA’s major awards were presented at the association’s 2018 Conference, held in Austin, Texas, in late February. Two awards had been previously announced, and others were first announced at the conference awards luncheon.

The conference was the first opportunity to present the 2017 Ray Hall Spirit of ERA Award to Chuck Tanzola, CPMR, of the Fusion Sourcing Group. He is now ERA’s senior vice president/fiscal and legal and is the immediate past senior vice president/industry. Tanzola has held many offices in the Empire State Chapter of ERA and was the 2008 recipient of the Jess Spoons - ERA White Pin Scholarship Award. He also served on the 2018 ERA Conference Breakouts Sub-Committee and moderated a breakout seminar at the conference.

The Ray Hall Award was established in 2004 to honor the retired CEO who had served the association for more than 40 years. The annual award recognizes individuals who exemplify the spirit of ERA through their commitment to advancing the professional field sales function.

At the ERA White Pin Group Reunion, held during the conference, the 2017 Jess Spoons - ERA White Pin Scholarship, which was announced in December, was presented to John Hutson, CPMR, of MacInnis Group. He was recognized for his many years of leadership of ERA’s New England Chapter and his involvement in the national conference committees since 2013. The award is named for the late Jess Spoons, an ERA past president and Hall of Fame member, and the long-time White Pin Group coordinator.

The awards that were not announced previously included the 2017 Chapters of the Year (*see Chapter News in this issue for the award recipients*) and the second annual Tess Hill Award which was presented to Kathie Cahill, CPMR, of Net Sales Company. Cahill was recognized for her many years as an officer of Empire State ERA, her three-time chairmanship of the ERA Conference Committee, her current service on the ERA Executive Committee and her long-standing dedication to ERA’s educational mission.

ERA SCHEDULES 50th ANNIVERSARY CONFERENCE

ERA’s 50th Anniversary Management and Marketing Conference has been scheduled to return to Austin, Texas, on Feb. 24-26, 2019. The venue will again be the AT&T Conference Center, site of the last three events. The 2019 Conference Committee is already forming under the chairmanship of John Hutson, CPMR, and program planning will begin immediately.

MRERF ANNOUNCES UPCOMING CLASSES

The Manufacturers’ Representatives Educational Research Foundation (MRERF) will conduct Certified Sales Professional (CSP) classes in Minneapolis on June 12-15, in Denver on Sept. 10-14 and in Chicago on Oct. 8-12. MRERF’s Manufacturers Best Practices courses are slated May 22-23 in Denver and Sept. 25-26 in Chicago. The next Certified Professional Manufacturers’ Representative (CPMR) courses will be held on Jan. 7-11, 2019, in Austin, Texas. For details on all programs, go to mrerf.org. (*Also see the MRERF ad on the back inside cover of this issue.*)

EU STILL CONSIDERING GOOGLE BREAK-UP

Multiple news sources have reported that the EU’s competition commissioner, Margrethe Vestager — who led the charge to fine Google a record \$2.7 billion last year for allegedly manipulating online shopping markets in a decision that is still being appealed — has cautioned that EU officials still harbor “grave suspicions” about the search giant. She said that they are still considering whether breaking up Google on anti-trust grounds is the only option to prevent it from becoming too large to challenge without disrupting the economy.



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.

ARIZONA

Arizona ERA is proud to be named a recipient of the Chapter of the Year award for 2017 activities. The award category was under special projects.

CAROLINAS

Carolinas ERA is continuing its monthly networking breakfasts throughout the spring. The chapter also held its annual DTAM meeting on March 19. Carolinas ERA is proud to be the recipient of the Chapter of the Year award in the membership category for 2017 activities for aiding the start up of the Dixie Chapter.

CHICAGOLAND - WISCONSIN

Chicagoland-Wisconsin ERA is proud to have been selected as Chapter of the Year in the education category for its engineering panelist event in 2017.

On Jan. 19, chapter members enjoyed a lunch and facility tour of Mhub, Chicago's first innovation center focused on physical product development and manufacturing.

Chapter members also gathered on March 16 for a conference highlights round table discussion.

EMPIRE STATE

Empire State ERA is pleased to announce that Laura Senn-Sanborn of SennTec and Rob O'Rourke of Nycom have been elected as directors-at-large to the board of directors. Senn-Sanborn will be spearheading a membership initiative and O'Rourke is the 2018 golf

committee chair. The chapter is pleased that its new directors are having an immediate impact on chapter operations as membership continues to grow.

Empire also held its annual DTAM event on Tuesday, March 20. This signature event has been a cornerstone of the chapter value proposition and is always well attended by the rep and distribution community. Well-known beyond the territory, the Empire DTAM features market data compiled for more than 20 years. Special thanks to Rick Wray, Dave Dason and all participating DTAM member organizations for continuing to believe that sharing and discussing market data benefits everyone.

FLORIDA-SUNSHINE

The Florida-Sunshine Chapter is proud to be a recipient of the Chapter of the Year award in the marketing services category for 2017 activities.

The chapter also introduced new leadership. Chapter members cast their votes in December 2017, naming Rick Tally, CPMR, of Phoenix Components as chairman; Pat Bamberg of HHP Associates as president; Chuck Mathias as vice president/fiscal & legal; Lisa Dietrich of Conley & Associates as vice president/membership; Greg Warren of Brandel-Stephens as recording secretary; and Seth Brock, CPMR, of CBC Electronics as national delegate.

MID-LANTIC

The Mid-Lantic ERA Chapter hosted an organizational and social meeting on April 16 to address the election of chapter officers and to discuss upcoming events.

METRO NEW YORK

The Metro New York ERA Chapter is planning for its 3rd Annual Charity Golf Outing which will be held again at St. George's Golf & Country Club in Stony Brook, N.Y., on June 25, 2018.

NORTHERN CALIFORNIA

The Northern California Chapter of ERA hosted its first members event of 2018 on Feb. 13. The chapter also

Congratulations, ERA Chapters of the Year!

During its 49th Management and Marketing Conference in Austin, Texas, the Electronics Representatives Association (ERA) announced that four chapters have been selected as the Chapters of the Year for their 2017 activities and projects. The award recipients and their entries, by category, are:

- *Education* – **Chicagoland-Wisconsin ERA**;
- *Membership and Member Services* – **Carolinas ERA**;
- *Marketing Services* – **Florida-Sunshine ERA**; and
- *Special Projects* – **Arizona ERA**.

Each award recipient will receive a full-tuition scholarship to ERA's Chapter Officer Leadership Training (COLT) program that can be used in 2018 or 2019.

There were 20 entries this year from 11 chapters. The Chapter of the Year judges, who reviewed all entries and selected award recipients, are: Todd Ford, Dixie Chapter, of South Atlantic Component Sales; David Gassman, Ohio Chapter, of CC Electro; Mike Long, Spirit of St. Louis Chapter, of Seltec Sales; and ERA CEO Walter Tobin.

attended the 2018 State of the Valley Conference on Feb. 9.

SOUTHERN CALIFORNIA

On March 8, the chapter held a Cyber Security Educational Speaker-Flight Simulator Event.

SOUTHWESTERN CHAPTER

The Southwestern ERA Chapter held a meeting at the 2018 ERA Conference in Austin, Texas, to confirm event dates for 2018. The dates for the chapter's upcoming lunch events are: DFW - June 29; Austin - Aug. 24; and Houston - Oct. 26.

A few casual breakfast meetings will be hosted in Dallas, with some planned for

Austin in 2018 as well. The first Dallas breakfast was on April 6. For more information, contact Chapter President Jim Moore at jim.moore@fralia.com or Chapter Secretary Tobi Cornell at tcornell@kruvand.com.

SPIRIT OF ST. LOUIS

The Spirit of St. Louis Chapter sponsored the Electronics, Electrical, Engineering and Manufacturing Show (EEE&M) on Wednesday, April 11. The show featured 59 exhibitors, including reps, distributors and manufacturers, as well as eight technical seminars throughout the day. The EEE&M show draws local engineering attendees, with the daily attendance reaching 250+. For more information, go to erastl.org.



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**Register by April 28 by email at info@era.org,
or visit era.org for details.**

FEATURE ARTICLE: Rep interns

(continued from page 9)

collaborative experience, information and responsiveness to programs that can benefit ERA reps and manufacturers immediately. But how realistic is this approach? That's what this group is committed to finding out. Make it ACCESSIBLE, EASY, SUCCESSFUL and PROFITABLE!

The group calls itself MRTAC — Manufacturers' Representatives Talent Acquisition Council.

Do you have an opinion or an idea? MRTAC would love to hear it. Its objective is to establish an information baseline from which ERA rep firms can launch a successful intern program to support their workforce needs. This will be a step-by-step process with all the resources required to find those capable and eager interns, and make it as easy as possible.

MRTAC wants rep firms to feel confident approaching an unknown institution, with the tools required to identify the right contact, represent their workforce need and walk away with several qualified candidates — all in their own geographic location. MRTAC has already started collaboration with several colleges/universities where it has established contacts. The objective is to learn more from their workforce development teams and placement offices in as geographically diverse cross-section as possible. The next step will be to contact individual instructors to learn how they present manufacturing sales and rep business firms in their business curriculums. What is their reality and perception about manufacturers' reps? How can students take their selling beyond transactional "dollars for parts" to a relationship or consultative level representing several related manufacturers?

Success measurement is based on linking qualified talent with rep firms and manufacturers looking to grow and update their employee teams. Why should finding good talent be so difficult and such a resource drain? ERA members, the White Pin Group and this council recognize the importance and urgency of doing whatever they can to help firms who need new talent and are ready to find those qualified candidates. ■

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- Outsourcing Field Sales (Fortune Magazine Reprint)
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ERA Meetings & Programs

- Board of Directors Meeting - Oct. 18, 2018
- 50th Management and Marketing Conference - Feb. 24-26, 2019

A book review and recommendation by Dan Beaulieu

Questions That Sell: The Powerful Process for Discovering What Your Customer Really Wants

by Paul Cherry
Copyright: 2018 Amacon
Price: \$17.95
Pages: 227 and Index

The one book to read and study if you truly want to know who is your customer.

This is a great book to help salespeople learn how to win over their customers. It is an even better book to help companies, particularly their inside salespeople, learn how to turn their customers into customers for life.

Creating a customer-focused company is all about knowing everything possible about your customers. The best way to find out everything about your customers is to ask them.

In his book, author Paul Cherry, president and chief executive officer of one of the country's foremost sales and leadership training organizations, demonstrates his complete mastery of the art of asking questions. He focuses not only on the right questions to ask in the appropriate situations, but also how to ask those questions at the right time, in the right place and even with the right pace of questioning. He makes the reader realize that questioning is an art, a craft that must be studied and perfected.

Have you ever been in any of these situations?

1. You're talking to a prospect, and you need to stop talking and get her or him talking. How do you do that?

2. You're in deep trouble with a customer. Your company has really screwed up this time, and the customer is really mad. How do you handle the situation by asking questions that will not only get to the heart of the matter and solve the problem, but also calm the customer?

3. You have to tell a customer that if they don't start paying, you will have to cut them off, or other sensitive messages that salespeople often have to deliver.

4. You have to find out if you are going to get that big order that they are awarding next month, but you need to know *now* because it is so vital to your company.

5. You know that the buyer is stalling for some reason, but you don't know why, and it is your job to find out.

In addition to demonstrating to the reader how to handle these type of situations, the author also provides lists of actual questions designed to help you develop your own line of questioning.

This book will help you learn everything you need know about the art of asking questions that will not only help you sell, but more importantly, develop a long-lasting and productive relationship with your customers.

I would urge anyone interested in their customers and knowing everything about them to read this book. If you truly want to know your customers, this is the one book you should buy and read.

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 danbeaulieu@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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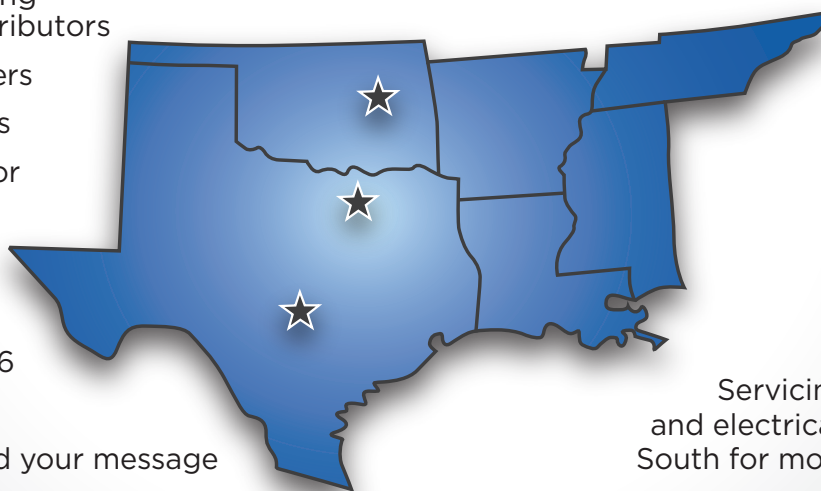
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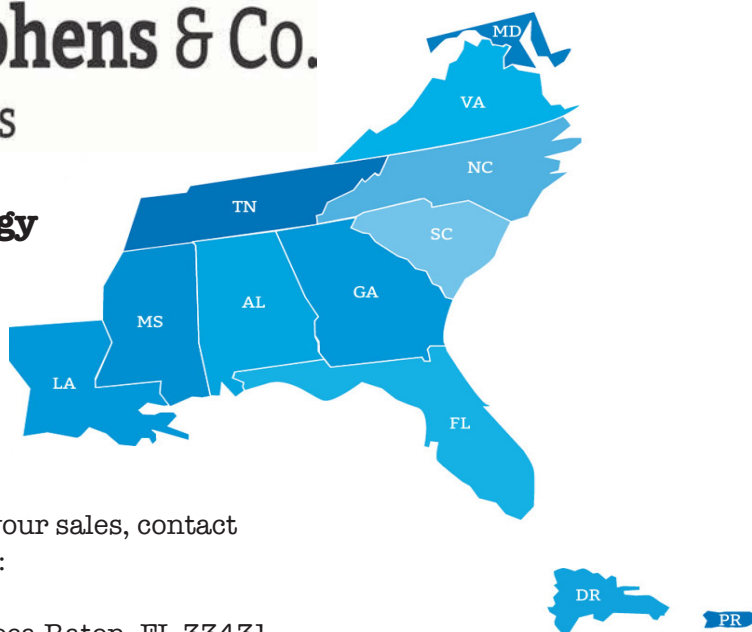
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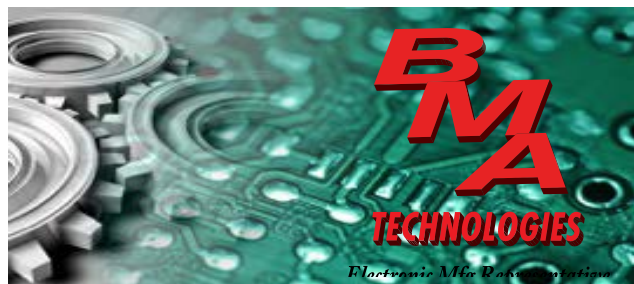
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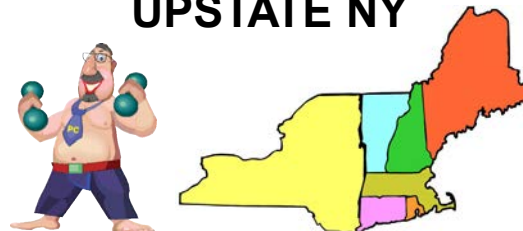
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