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Electronics Representatives Association

SPRING 2022

WINNING THE TALENT WAR

Navigate a competitive
hiring landscape with a
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Advancing and supporting the professional field sales function in the global electronics marketplace through programs and activities that educate, inform and advocate for manufacturers' representatives, distributors and their principals



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SPRING 2022

WINNING THE TALENT WAR

Navigate a competitive hiring landscape with a solid recruitment strategy

The Great Resignation, The Big Quit, The Great Realignment, The Great Reshuffle and Quitter's Market...these are all headlines you may have seen or heard in reference to the record number of U.S. workers quitting their jobs voluntarily beginning in early 2021.

Texas A&M University professor Anthony Klotz coined the phrase "The Great Resignation" in May 2021 when he predicted the mass volunteer exodus. Klotz cited four trends unique to the pandemic, including: 1) A backlog of resignations due to the pandemic's uncertainty; 2) An elevated level of burnout among workers; 3) A term called "pandemic epiphanies;" and 4) Companies restructuring their work schedules to a fully remote, in-person or hybrid model.

In reference to high levels of burnout, Klotz said, "If you were a manager who was managing through the pandemic, it was stressful. If you were a remote worker working from home, balancing your professional and personal lives was stressful. So, there were these widespread reports of burnout and burnout is a predictor of quitting, so high burnout leads to high quitting."

The pandemic has given many people the space to reflect on their quality of life and a new priority placed on shifting personal values. These "pandemic epiphanies" have caused some people to ask themselves "Is this the life I want to be living"? Sometimes that answer is no; hence the change in employment. Others who were near retirement decided to check out early, while many entrepreneurs decided it was finally time to start their own businesses. A 2021 study conducted by UCLA highlighted how American values now resemble those of small, isolated communities around the world: a newfound focus on togetherness, time, freedom and purposeful subsistence paired with diminished concerns about financial wealth.

"Quits" (shown in Chart 1) hit an all-time high in November 2021 when 4.5 million workers quit their jobs in the U.S. December and January figures did not show

much improvement at 4.4 and 4.2 million, respectively.

The labor force has declined by 2.1 million workers since February 2020. This, coupled with record levels of job openings – 10.9 million at the end of 2021 – has caused pain points for those companies looking to hire. The Bureau of Labor Statistics estimates that currently the number of unemployed individuals per job opening is 0.6. For comparison, in April 2020 that number was 5. Pre-Great Recession, the norm was 1.5 unemployed individuals per job opening. Since 2017, the number has been below 1.0 but has gotten progressively worse over the past two years.

This national level of "quits" has certainly affected the electronics industry as a recent survey of ERA conference attendees bore out. Seventy percent of respondents indicated their hiring experience the past year was somewhat to more difficult than prior years. The biggest hurdles in hiring were reported to center around three obstacles: 1) Candidate compensation requirements are too high; 2) Not enough candidates are applying; and 3) Candidates are not qualified.

Candidates in the driver's seat

The record number of people quitting has certainly made hiring more challenging and left the candidates/employees in the driver's seat. Now more than ever it is important to **create a recruitment strategy**. Recruitment strategies can/will vary depending on the position you are trying to fill. But there are several key components in every good recruitment strategy.

Clear direction and consensus on the role are important. Key stakeholders in the company must be on the same page regarding the position details and the ideal person/attributes

to fill the role. This clarity must be reflected in a compelling and current job description. Be certain to make titles as specific as possible. Open with a captivating summary of the position and

Chart 1. Quitter's Market



(continued on next page)

include verbiage on your company that paints a picture of your company culture highlighting your values and your people. Make the candidates want to work for your company because, as you know, they have many options.

Chart 2. Work-life balance



Realistic and flexible expectations are imperative when considering compensation and benefits. Work-life balance is top of mind for many candidates in today's market as evidenced by LinkedIn's Global Talent Trends 2022 survey. Sixty-three percent of job seekers report that work-life balance is their top priority, trumping compensation and benefits, as well as colleagues and culture.

Stay competitive by offering new benefits

Compensation is still a key factor to consider in the hiring process. Now more than ever, **compensation needs to be competitive**. There are assorted services available providing compensation information for a multitude of positions/experience levels. Simply perform a Google search and several companies will pop up – Glassdoor, LinkedIn, LaborIQ, Salary.com, Payscale and Indeed. In addition, industry recruiters often have accurate, real-time insight into compensation trends.

Aside from traditional compensation, creative benefits can go a long way in attracting talent to your organization. **Unlimited PTO**, once unheard of, is picking up steam in several industries. A 2021 Mercer survey showed twenty percent of companies offered unlimited PTO to at least some of their employees, up from fourteen percent in 2018. A 2019 study conducted by MetLife revealed that 72 percent of people preferred some form of unlimited PTO. There is also financial upside for the employer, due to not having to manage accrual or pay out unused vacation days. Many companies find employees

actually use less PTO and managers need to “stay after them” to take much needed time off.

The average student loan debt in the U.S. runs around \$38,000. Several companies are appealing to those with loans by including **student loan debt relief** in their benefits package. In addition to attracting talent, it serves in employee retention. Do not be afraid to start small – even offering relatively small but consistent amounts is viewed very positively. Companies like SoFi and Gradifi function as third parties between the employee and the student loan company, which makes it easier for the employer to administer the benefit. Partnering with a third party also helps ensure that the funds given to employees for student loan repayment are used for that purpose.

Chart 3. Preferred work location



The pandemic threw a wrench into the traditional office workplace sending many workers into a **remote working environment**. A recent Gallup poll indicated that only 10 percent of those surveyed want to return to the office five days a week. Thirty percent preferred to never return to the office and maintain working fully remote. But a whopping 60 percent preferred a blend of remote and in-office work environments. This indicates that companies will need to be flexible to attract and retain workers and accommodate their work location preferences.

Four-day work week anyone? Employers around the world are beginning to embrace the idea of a shorter work week. From 2015-2019, Iceland ran a trial with 2,500 government employees, reducing their hours from 40 to 35 hours a week. The results showed a reduction in perceived stress and burnout and an increase in feelings of well-being. Productivity stayed level or even improved across the many teams that

participated. Parkinson's Law, the theory on time management that work expands to fill the time allotted for its completion, may very well be true. “Whoever cracks the four-day work-week,” said Marta Riggins, employer brand and employee engagement strategic consultant, “is going to win the talent war, because that’s going to be the new in-demand perk.”

An **expedient hiring process** is vital to ensure you do not lose key candidates who become disillusioned with the length of time from initial interview to offer. Good candidates often have many options when deciding to make a career/job change. Candidates do have a shelf life.

Along those lines, it is imperative that you **treat candidates with the same respect you would your customers**. Be respectful of their time. Be hospitable when conducting interviews in your facility. Make yourself available after the interview to answer questions that they may have about the position, work environment or company. Finally, do not forget to close the loop and provide feedback on their interview. Do not leave candidates hanging, wondering if the position was filled, what they lacked if they did not receive an offer, etc. These may be candidates you will want to hire in the future, so make sure your hiring process does not leave a sour taste in their mouths.

Today's recruiters are adapting to the ever-changing jobseeker landscape by fortifying their social recruiting strategies and heavily **targeting popular networking sites**. LinkedIn, Facebook and Twitter remain some of the strongest social media recruiting sites. Glassdoor states that 79 percent of job seekers use social media when conducting their job search. LinkedIn reported that in 2021, a person was hired every 15 seconds. There was a 25 percent increase in people changing jobs since pre-pandemic levels and remote job openings nearly doubled.

Tried and true methods

Sometimes it pays to go back to “old tricks” like employee referral programs, school tuition reimbursement, utilization of trade association tools, and even reconsidering past candidates or candidates from colleagues who have recently hired. Never underestimate the power of networking and word of mouth to find your next great hire!

To summarize, there is no silver bullet to recruiting talent to your organization, but rather a series of logical steps laid out in an overall recruitment strategy. ■

About the author



Carla Mahrt is founder and president of JJM Search, a global executive search firm. JJM Search is part of MRI Network, leaders in the search and recruitment industry for more than 40 years.

Mahrt began her career in electronics more than 20 years ago working for Vishay Inter-technology, Raychem Corp. and Tyco Electronics. Mahrt served on the board of directors for the Electronic Distributor Show (EDS) where she also served as president of EDS in 2007. Mahrt has also received NEDA's Distinguished Service award for her work on NEDA's board of directors. She has been a presenter at EDS, ERA and ECIA conferences and currently serves as a consultant for ERA and service partner for ECIA.

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Forging her own path after following in the family career footsteps



Kristen Mandelstamm
Luscombe Engineering of San Francisco

To gain a better insight into how young professionals in the electronics industry have turned challenges into opportunities and ensured continued growth, The Representer interviewed Kristen Mandelstamm, inside sales representative and office manager for Luscombe Engineering of San Francisco.

Mandelstamm shared how hard work and soaking up knowledge from her colleagues has helped her prove herself after following her father into the manufacturer's rep business.

Tell us a little bit about yourself.

I grew up in the San Francisco Bay Area. I got my B.A. from Cal State University Hayward in 2007. I thought I wanted to be a teacher but wound up following in my Dad's footsteps and have been working in the electronics industry since I was 16 years old. I have worked as both a manufacturer's rep and in distribution. My husband Phil and I are busy raising our three beautiful children. I enjoy spending time with family and friends.

How long have you worked in the electronics industry?

I went to work for my Dad who owns a manufacturer's rep firm when I was 16 years old. After college he hired me on full time. Twenty-three years later, I am still loving it!

What made you choose this industry as your current career path?

The family connection for me is the reason that I chose this career path and I have never regretted it.

What are some of the main challenges you encountered as you embarked on your career journey?

The biggest challenge I think I faced was proving myself. Because I worked for my Dad, I always felt the need to prove my worth and prove that I was just as hard working and deserving of the job as the rest of my colleagues. One of the other challenges I faced was always being one of the youngest people in our industry while trying to voice my opinions and effect forward change.

What are some steps that you have taken to overcome these challenges and to ensure that you can establish and nurture a successful career?

I was able to overcome these challenges through

good old fashioned hard work. Once I was able to prove myself and gain the respect of my peers, the rest just fell into place for me. Also, soaking up all of the knowledge from everyone around me has helped me.

What were some training tools or networking/industry events that you found beneficial to your professional growth?

When I was getting into the industry, there were not a lot of these tools or events available to me. I think I learned through the old-fashioned "school of hard knocks." I have seen a lot more of these tools being put into place in the last few years for the next generation coming into the electronics industry. One is Women in Electronics. I think this is a great organization designed to help mentor young women getting into this industry.

Is there enough new talent entering the electronics industry and what could make this field more attractive to future young professionals?

I absolutely think there is enough new talent available out there. I think it is a matter of making it appealing to young professionals. One thing that I believe COVID-19 brought to light for a lot of young professionals starting out is the importance of a work/life balance. That is one thing this industry can offer and if we can market that, I think it would be very attractive to people. I would also like to see more young women and people of color being recruited into the electronics industry.

Where do you see your profession and the industry 10 to 20 years from now?

To be honest, I am unsure right now. COVID-19 has changed the way that we look at our job. The ability to work from home has been a game changer for a lot of people. We have seen that there are much more efficient ways to do things. Top that with all of the resources available online – the way engineers can do their job is so different now, too. Even though I am unsure of where I see our industry 20 years from now, I am very excited to see how things change for the better.

Professionally, what keeps you up at night?

Right now, what is keeping me up at night are all the issues surrounding the global supply chain. It seems that all we are doing right now is expediting parts and helping to manage shortages. ■



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A New Day, A New Way



Conference survey results showed that 98% of 2022 Conference attendees would recommend the ERA Conference to a colleague!

The 2022 ERA Conference – the first industry event held in person in two years – drew a record-breaking 550+ attendees in Austin, Texas from Feb. 28 to March 1.

Manufacturers, distributors, reps and consultants gathered at the AT&T Hotel & Conference Center and dedicated two-and-a-half-days to learning, collaborating and networking. The conference agenda included a welcome reception, an opening keynote, four general sessions, 15 breakout sessions and an off-site Conference party at Bull & Bowl, a local restaurant and bar.

Save the date for the 2023 ERA Conference, Feb. 26 - Feb. 28, returning to the AT&T Executive Education and Conference Center in Austin, Texas.



Top: Michael Knight, president of Exponential Technology Group and SVP of Corporate Business Development at TTI, Inc., presents the final general session on Tuesday afternoon.

Center left: Chuck Tanzola and John O'Brien present Mark Motsinger, CPMR, with the 2022 Jess Spoons White Pin Award and Scholarship.

Center middle: Kathy Green, web and database manager for ERA, accepts the 2022 Tess Hill Award via Zoom.

Center right: Chuck Tanzola and John O'Brien present Ken Bellerio, president, Schaffner EMC, with the 2022 Tobin Bridge Award.



More than 80% of 2022 ERA conference attendees said the event delivered excellent value for their investment.



Bottom left: Conference attendees enjoy bowling at the Conference party Monday night at Bull & Bowl in Austin.

Bottom right: Attendees listen intently at a Monday afternoon breakout session.



Top: ERA thanks its many sponsors for their support of the Conference.

Next: Attendees attend the Sunday evening welcome reception.

Middle right: Attendees attend a breakout session about digital marketing.

Bottom left: ERA Chairman of the Board Chuck Tanzola, CPMR, and ERA President John O'Brien, CPMR, present Tom Griffin, CPMR, President of Catalyst Unity Solutions, with the Ray Hall Spirit of ERA Award.

Bottom right: ERA CEO Walter Tobin presents Bob Evans, CPMR, President of EK Associates, Inc. with the 2022 Lifetime Achievement Award.





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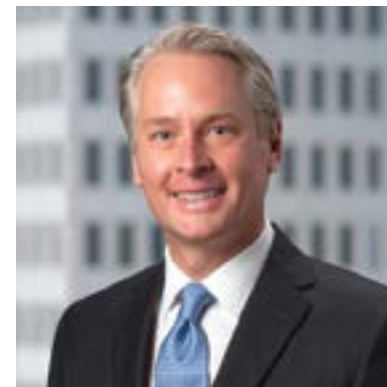


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SOMEONE YOU SHOULD KNOW



Tell us a little bit about yourself.

I was born in Buffalo, N.Y., raised in the Chicago suburbs, moved to Ann Arbor, Mich. for high school and attended Michigan State University. I owned a painting company that provided enough income to put me through college. I interned at Texas Instruments for two summers and accepted full-time employment with TI upon graduation.

My wife and I have two boys in college (UVA and Wake Forest), recently celebrated our 25th wedding anniversary and have lived in the same house for 24 years. We lead active lives contributing our time and energy back to our community.

Jeff May
President and Founder
Logix Sales & Marketing

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 Jeff May, president and founder of Logix Sales & Marketing, Inc. in Houston, Texas.

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

What are some things you enjoy outside of the workplace?

Exercise, family time, friends, good food and wine are a few things I enjoy. My wife and the boys are athletic, so the family stays active. We cook at the house all week and enjoy the wonderful Houston restaurants on the weekends. Skiing is my favorite sport and fortunately the same for the family.

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

Logix has been a proud member of ERA for eight years. ERA provides a solid foundation which allows the entire industry to flourish. I have enjoyed donating my time to ERA – thank you ERA for all your support!

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

While I was working at TI, I met a sales representative that knew more about TI's programs, people and the politics than my boss did! He had an electrical engineering degree and defined how a sales representative should perform. This person quickly

became my mentor and eventually hired me into the industry.

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

The quality of the people (employees, principals, distributors and customers) and the friendships I have made have been very rewarding. I enjoy investing my energy into the business and seeing the company grow. On a personal level, the rep business allowed me to be home for dinner (most nights), coach my boys in various sports and lead a balanced, enriched life.

Briefly describe your rep firm.

Logix Sales & Marketing is a technical rep firm that has helped resolve engineering and design challenges for customers for more than 22 years. We assist engineers in the design process, facilitating a smooth transition from concept to production. Most of our outside sales team have an electrical engineering degree.

We have certain procedures and tools in place to communicate our efforts to our partners. Data plays a key role in driving our behavior. Marketing is part of the Logix company name and we are increasingly emphasizing the importance of marketing.

I am fortunate to have a great business partner and a very talented team. Sales representatives are primarily built upon their people. Good people make a good firm.

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

Data analytics and digital marketing has been a large focus. Twenty-two years ago, I started the business using the same Access database that the Memec companies developed. A few years ago, we retooled with the help of Budde Marketing and Repfabric.

(continued on page 38)



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- ERA Conference - Austin, TX - Feb. 26-28, 2023

EXECUTIVE COMMENTARY

We did it – and now we are doing it again!

Can you imagine packing a suitcase full of your best “business costumes?” (Now where did I put that blue blazer??? I bet I will be the only one wearing one...) Where is my Global Entry Card? Do I even remember how to get to the airport? Where to park? Is my favorite spot still there? Will it remember me?

We headed out the door like an old prize fighter dusting off his old boxing trunks, to do battle at the airport. Getting through security, trying to find a coffee shop that is open...Getting used to wearing a mask while at the airport, on the plane and in the Uber/taxi.

Boy, did all of this feel so good! Who would have ever said that we would miss the travel issues and challenges? But we did!

We had over 550 people in attendance at our 2022 ERA Conference – a record for sure in the recent past! Everyone was excited to see each other, exchanging fist bumps, elbow bumps, handshakes and many hugs. We were all like school kids returning to school after summer vacation, dying to see old friends and get caught up on the past two years and to just be happy to be back in person once again!

The level of enthusiasm and happiness was pervasive throughout the entire Conference venue. The breakfast and lunch lines were filled with happy people who all kept looking around for friends, old and new. Our breakout sessions were jammed with people wanting to listen and learn from each other.

If that was not enough, ERA hosted an off-site party on Monday night that was outside of the official Conference program to give attendees a place to go, network some more and have a few laughs. What happened? It was SOLD OUT! Over 450 folks who had been together ALL day Monday decided WE NEED MORE and attended the off-site party.

So, here we are again and in Las Vegas no less. Seeing old friends, making new ones and celebrating our great industry at this great event: EDS!

Why is EDS so special to all of us? Well, it has been held for most of our careers; an annual event that we all have gotten used to attending. Perhaps some of us have openly spoke of “having to go to EDS again” in the past, having to put together so many presentations, updating so many sales funnels, enduring the fight for the elevators, the early mornings and the late evenings and finally, the dreaded follow up. There are so many open action items from our reviews and meetings and then we have to sort through so many business cards and try to remember where I met that person and what we agreed on.

So many things to do and so little time. But secretly, I think most of us LOVE IT! The thrill of the hunt, the smell of the crowd, the action, the excitement, the over-priced coffee, lunches, dinners and yet, we cannot wait until we do it again!

Our industry is made up of great people who all work hard and who love our industry. We will be amazed at how many old friends we run into and we'll share some war stories and a few laughs.

So take a breath. Pace yourselves. The days start early and run late. Try to take notes and follow up when you get home and try to “never confuse activity with accomplishment!”

It is often said: “What gets measured gets done.” What are you measuring at EDS this year? Write it down, follow up and then take a bow!

Stop by the ERA center and meet our team, have a cookie and relax a bit...and get ready for your next meeting!

It will all be worth it, trust me. ■



by Walter E. Tobin

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FROM THE TOP

Focusing on marketing programs to drive new opportunities and continued growth

We keep hearing that companies are opening back up, but what does it really mean for us as reps and salespeople? Are we going to be able to return to our standing weekly visits to customers? Will we be spending all day driving from customer to customer reviewing designs, developing in-person relationships and driving new opportunities face to face?

In my opinion, the answer is no and here's why. Customers are all implementing flex time, so our contacts will not be in the office every day. Offices and cubicles across the country are having personal effects removed as companies make room for shared resources during flex time. Key people within a company may have moved during the pandemic, opting for full-time virtual work. The list of changes happening within our customers goes on and on. So how do we respond?

First off, we need to continue to develop our skills when we do get the in-person call. In a previous article, I wrote about pre-call work that needs to go into the time we do get to spend face-to-face. The key to our in-person meetings will be the effectiveness and efficiency in how we can conduct them. Second, we need to continue to develop and grow our virtual meeting capabilities. Like it or not, they will be a part of our world in sales. We need to continually

improve the professionalism with which we conduct them. We also need to stay ahead of the curve as these technologies develop and change. Finally, we need to continue to create ways to develop new customers. We can accomplish this by getting even better at marketing our principal's product to prospective customers along with current customers.

We've always touted our services as outside sales and marketing and now is the time to bolster those marketing efforts. Improved marketing programs help attract new customers and they help us reach our existing customers in an efficient manner, driving stronger relationships. We as manufacturers' reps have strong local contacts, in-depth customer knowledge, proximity to customer's locations and a focused approach to our particular markets. By improving our internal marketing capabilities, we can augment our principal's marketing efforts locally to drive new opportunities and continued growth.

There are many platforms out there that can help us develop marketing outreach programs and I would strongly suggest working with not only our manufacturers, but our distribution partners to see how we can all collaborate on these efforts to drive continued growth. ■



by John O'Brien, CPMR
Coakley, Boyd and Abbett
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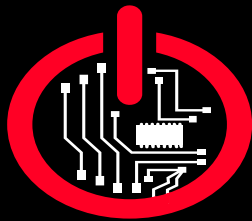
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VIEWPOINTS

Have we come full circle?

Tuesday evening, February 25, 2020 – A record-setting ERA Management Conference has just concluded and I'm joining a group for a celebratory dinner honoring the inaugural recipient and namesake of the Tobin Bridge Award when I realize my wedding ring is missing from my finger. A quick trip up the hotel elevator and hurried check of the room yields no ring; but dinner and a great event awaits. Upon return to the hotel afterwards, a more rigorous search ensues and lo and behold – the ring had slipped unnoticed into my suitcase as I was packing for the next morning's departure. Crisis averted.

Fast forward – Friday night, February 26, 2022 – Almost two years to the day and I'm packing that same suitcase for a return to Austin when I realize my wedding ring is missing again. Sadly, a thorough search over Friday night and Saturday morning yields no results and the plane awaits. I leave for the ERA Conference looking forward to "A New Day and a New Way"; with my "déjà vu all over again" missing wedding band saga firmly entrenched in my mind.

Monday, February 28, 2022 - I am sitting in the Zlotnik Ballroom at the AT&T Center with more than 500 colleagues, friends and soon to be new acquaintances, and I can't help but think about how new and yet familiar this feels and wondering, "Have we come full circle?" After two years of essential isolation, it is energizing to see old friends in person; to see their smiles; hear their stories; enjoy their presence; and learn from their experience and expertise – no muted conversation, no frozen video. Over the three and a half days I spent in Austin, I had direct person-to-person interaction with more than 200 people (possibly more than I've had in-person in our industry over the prior two years combined). Congratulations to the more than 55 volunteers who worked on the Conference; and kudos to all who traveled to Austin. In my opinion, and by popular report, the event was a resounding success and you all made it so!

Have we come full circle? To me, coming full circle means getting back where we started, our original position, after going through a series of developments along the way. Have we been in a two-year diversion that is now concluding; are we now back where we started?

Are we back to in-person interaction being the default standard and dominant method of getting things done? Will our natural pre-pandemic instinct to schedule a visit, plan a trip, and meet in-person re-emerge? Some have called it returning to normal.

Yet we must recognize that coming full circle also involves going through a series of developments – a process of change along the way around the circle. In this case, the collective, improved capability of the industry to function using new methods of communications can neither be denied nor ignored. Will our new way in the new days ahead be to rely primarily on technology-based communications systems; with limited in-person interaction? Will we call this the "new normal?"

I believe the consensus is that the future holds some of both – a healthy tension between the efficiency of new communication methods and the effectiveness of seeing people in-person.

Friday, March 12, 2022 – I'm preparing to travel to New York City for the first in-person LEDucation Conference and Trade Show to be held in two years. (Sound familiar?) For two weeks, I've searched and searched for my wedding ring to no avail, when what should appear in the bottom of a different infrequently used suitcase – you guessed it - my wedding band. Crisis resolved!

So, have we come full circle? As I contemplate this, I visualize my ring – a circular band – and I wonder where does it begin and where does it end? And the reality is that I do not know – I simply cannot tell. I think the same is true with meeting obstacles like pandemics, supply chain issues and most any challenge in life. We cannot always tell when they begin nor when they will end and defining the endpoints is not nearly as important as the resilience, persistence and commitment through the process.

In a few short weeks, I'll be packing to go "Back to the Summit" to attend the EDS Summit in Las Vegas. When you see me there, you can check my ring finger to see if I've learned anything along the way.

As always, I can be reached at ctanzola@fusionsourcing.com (or via Teams, text, or...) and welcome your comments. What do you think – have we come full circle? ■



by **Chuck Tanzola, CPMR**
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EDUCATION UPDATE

Ellen Coan, CPMR
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It takes a village



Communication, collaboration and celebration = successful ERA reps! As we all gathered in Austin and worked together in early March 2022, we listened to each other and took our new knowledge back to our chapters and companies and applied it in our unique way that fits our company culture. We learned our company culture is in our hearts and not the walls of a building as Seth Mattison pointed out. We also recognized we were not going back to “normal” but rather forward on our ever-challenging adventure. We commiserated about supply chain issues and were concerned as we watched the invasion of Ukraine unfold. We joked about whatever generation we are and respected the other generations to find new ways to work together. A new day, a new way! We chose breakout sessions to attend and dug deeper into our daily dilemmas. We ended the conference with Michael Knight’s wisdom and insight. All of this sparked great conversation and a thought-provoking trip home. ERA education will continue to offer its members choices that are applicable in real time.

Many member volunteers join together to create the agenda and the outstanding ERA staff

executes the program. It takes a village and this is one strong village!

Beyond the annual ERA Conference, there are so many other opportunities throughout the year to share and listen. Water Cooler sessions take place biweekly, podcasts monthly and an annual virtual ERA sales training takes place in September. You can find pertinent information on the ERA website – www.era.org – on attracting and training interns, territory guidelines, sample contracts, white papers, etc., and more training/certification through MRERF.

ERA is known for fostering education and networking. The newest initiative is networking the newest rep firm employees in the NexGen Special Interest Group. As this group of reps virtually discuss their successes and concerns across the country, they are forming the ERA of tomorrow.

Thank you to all the volunteers at ERA - reps, distributors and manufacturers! We all know the importance of working together and understanding all the goals in every segment of our business. Thank you to ERA for understanding your members and being there with us every step of the way! ■

Using simple math, in order to equal the cost of sales at an assumed commission rate of 5 percent, covering the cost of one direct salesperson would be the equivalent of \$300,000 per month or \$3,600,000 per year.

To make things more interesting, let’s look at an example of a logistically challenged territory, much like where my company is located. Southern California has very challenging logistics to cover the four major regions: San Diego, Orange County, Los Angeles and Inland Empire. The challenging Southern California dynamic of traffic, distance, (not to mention the present cost of fuel) and the need to reach the Northern border of the designated region from San Luis Obispo to 75 miles south of the California border, makes it a very tough challenge for suppliers to deploy a direct sales force. In order to cover the area, a supplier really needs four outside sales representatives.

Using four sales representatives as a reasonable assumption for coverage, we would now need four times the number of affording a typical salesperson - or \$3,600,000 (see Chart 1) x 4 = \$14,500,000 total annual sales. Southern California is a strong POS and direct market, estimated at somewhere between 18 to 22 percent of the U.S. total S.A.M. for electronics components. It is very possible that many companies have this level of sales. If you are not one of those, this applies even more so to you. Looking at this from a simple cost of sales viewpoint, Chart 2 shows volatile sales in the territory, with an average of \$214,000 over 12 calendar months, with total sales of \$2.57 million.

million would be necessary to warrant a direct sales force of four people in Southern California. Can you trim these numbers? Yes. I would only add that salaries are going up fast, and things like health insurance and other costs are right behind.

You may want to point out that cost is not the only factor. Control of the sales force, flow of information and the ability to impose high levels of expertise are all reasons for motivating a supplier to embrace the extra costs. I would almost agree with some of that as a motivation to consider direct versus rep, and would only point out that the new systems and information technology can easily bring high levels of technical competence and or communication as well.

One of the things we have learned is that the last two years have basically created a level of independence for direct field sales representatives that in many ways resembles the representative landscape. The new format is for employees to work out of their home office, report virtually from the field, set up sales presentations from the field and work outside of the confines of the factory facility walls. What does this resemble? An increasingly independent sales force.

If you are building a new or expanding sales team in a territory, and you do not have a substantial current revenue stream, why would you plunge headlong into the high fixed costs of a direct sales force? The proof of life may very well be in the fact that there is a strong trend for suppliers to wake up to the fight to manage costs with the option of sticking with existing ERA representatives. When performing a “make versus buy” or direct versus rep strategy, the question should be: how effective will this sales force be in accomplishing the growth and development of the territory?

In summary, what do you think are the driving factors in deciding to “go representative?” Cost of sales? Influence and reach in the industry? Ability to drive growth? A representative strategy is becoming more and more attractive in today’s dynamic reality. It is time we stopped thinking about the way things were, and look at what is happening in the market. Customers want hyper-responsive support, and a manufacturer’s representative is very often closer to the customer than anyone else can be. ■

REP UPDATE

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Proof of life



2022 brings a whole new set of economic forces. It is apparent that the challenges of the past two years are now transitioning into a whole new set of concerns about our industry’s economic standing. All of this frames the subject of our viability as an industry profession with the example I want to illustrate: I heard recently about a manager in our industry that observed “The rep business is a dying animal.” What this individual does not see are the subtle, yet big, trends in the market, most of which are favorable to the representative model. I would observe that in the last few quarters, I have seen more suppliers voice an intention to and/or convert back to a representative model. The representative model is not only alive and well, but prospering and growing.

What logical path did I use to come to this conclusion? First, there is an underwhelming lack of available skilled talent in the market right now. Salaries are going through the roof, there’s a lack of people available for solid jobs, and a shift in the mentality that people do not want to grind away their life on the travel routine anymore. The fact that representatives have people in place, ready to cover the territory as residing expert consultants, is a strong and compelling reason for direct suppliers to reconsider using representatives. The bottom line is: as costs go up for fixed expense employees, manufacturers’ representatives remain ready, willing and able to perform, all at a variable expense.

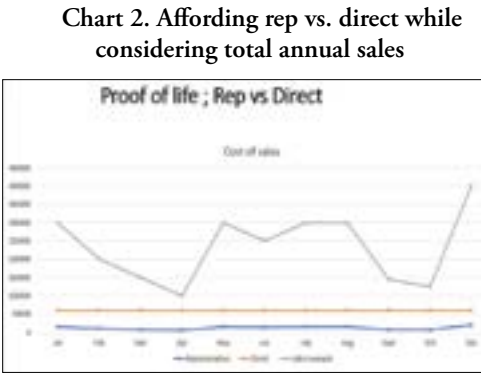
Inflation is proven to act as a tax long after companies have calculated their historic cost of sales. In the rep model, commissions increase in an offset for the increase in revenues, a natural net balance formula. Contrast that to the fact

that rents, salaries, utilities and all costs related to direct employee compensation overall are experiencing double digit rate increases. The more organizations can buffer inflationary pressure, the healthier those same organizations will fare throughout the economic pressure.

In regards to our ill-informed manager example above, the representative model is poised to experience a renaissance of incredible potential. Just recently, I heard of three separate major and well-positioned market share component suppliers pivoting to a representative model – one electro-mechanical and two semiconductor entities. In each case, the news was highly encouraging – they were going through the process of re-evaluating their sales strategy and were moving towards the representative model and away from the direct approach.

Let’s look at a hypothetical component supplier, using the following model for a smaller to mid-level organization (say \$50 to \$100 million annual revenues):

Chart 1. Covering the cost of a direct salesperson	
Typical field sales rep salary:	\$10,000 per month
Factory-supplied automobile:	\$750 per month
Health insurance (typical family of 4):	\$1,400 per month
Rent, supplies/ office related/misc.:	\$250 per month
Travel/entertainment:	\$2,500/month
Total per sales representative:	\$15,900 per month



The direct model (in orange) shows a cost of \$1,043,000 for the year.

The representative model (in blue) based on 5 percent would equal \$128,000 in commissions for the year. (Did I mention this is a variable expense as well?)

One could question the assumptions or logic made regarding the territory and could question the cost model I presented. Still...the gap between costs for a direct sales force versus a representative model is dramatic. The crossover point where direct costs become insignificant will only occur in cases where the sales revenues are very high. As shown above, more than \$20

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Become an ERA member at ERA.org.

**The Southwest Chapter of ERA looks forward to
hosting more events in 2022!**

ERA XCOM DIGEST

I am pleased to announce some updates to the ERA White Pin and its relaunched internship program.

If you have not heard already, Mark Motsinger will be stepping down as White Pin chair. His dedication to the cause and his leadership was immeasurable and he will be missed. However, he will always be available to us as a resource, so his brainpower is a phone call away.

The White Pin management will transition to me, with the fundamental purpose of White Pin unchanged. It will remain dedicated to recognizing and embracing ERA members who have put in their service at the national level. White Pin emerged years ago as an educational platform and, going forward, we will relaunch this ambition with the ERA White Pin internship program. This program will be under the ERA XCOM umbrella with Ellen Coan, senior vice president of education for ERA, as its formal adviser, and me working directly with Ellen and the ERA staff.

We still start the program slowly and focus on only a few interns for 2022 as we try to perfect the model. The program was formally launched in March as we know the window for internship applications is closing quickly.

ERA White Pin will subsidize a small number of Summer 2022 rep internships, typically 8-10 weeks. Depending on its success, the program will ramp up for 2023. Reps will need to submit applications to qualify for the subsidy. Reps who are interested in the program are encouraged to contact the placement offices of their local colleges and universities. ERA will provide the content to aid in the process.

Program application

ERA has developed an application form for rep companies to be used to describe the need and requirements of their intern position. The application form will include:

- Brief description of the rep firm
- Brief description of the intern position project or position/duties
- Goal of intern hire (temporary help, looking to fill open position, give back to community, etc.)
- Identification of local colleges or technical schools to target
- Preferred academic majors
- Skills or qualifications; education requirements

The application will be reviewed/vetted by the ERA committee.

Recruit and hire the intern

Rep firms can work with ERA as needed to create the job post. ERA will help the rep firms vet and select applicants.

Rep firms will also post the job on their website and social media and look for referrals from industry, friends and family.

Rep firms will then review resumes, interview and hire. Rep firms will have the intern undergo the normal onboarding process (complete the required government paperwork, pay taxes and follow any safety regulations or other labor laws, provide workers' compensation coverage, etc.)

It is recommended that the rep firms execute an internship agreement, documenting the expected start and end dates of the internship (aligned to the academic calendar), along with a statement that there's no promise or guarantee of employment once the internship is over.

Internship experience

Rep companies will have full responsibility for the internship, with support provided by the ERA.

ERA will host virtual meetings for the summer internship class. The virtual meetings will bring the interns together for training and discussion led by ERA member volunteers (similar to the Fall ERA training sessions). Possible virtual meeting topics will include: the rep model and entrepreneurship; distribution overview; electronic component industry growth proposition; sales prospecting; using value to fill pipeline; how to profile an account and first-time buys; utilize search engines for lead generation; leveraging data in sales – Excel, Power Point, PowerBI; consultative selling foundations; six essential rules of sales negotiation; and career paths in electronic component sales.

Proposal benefits

The internship program can benefit all parties involved. It fulfills the White Pin Group's commitment to help attract college graduates to the rep model to keep the industry fresh and relevant. Rep firms can develop a potential hire. ERA can use the program as a marketing tool, while leveraging its expertise in virtual meetings and training. Ultimately, it is the ERA White Pin Group's goal to create a national class of Summer 2022 (and beyond) rep interns to further advance the field. ■

INDUSTRY UPDATE

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ERA White Pin internship program





THE CAROLINAS ELECTRONICS REPRESENTATIVES ASSOCIATION

Electronics Representatives Association extends its deepest gratitude to these generous sponsors of the 2021 CERA 18th Annual Memorial Golf Tournament



A message from our president, Penny Langdon: The annual CERA charity golf tournament was attended by over 24 teams of very excited golfers on October 8, 2021. *“It felt like a homecoming”* was heard all through the day, with many smiles spread as colleagues once again could greet each other in person. On behalf of the CERA, we wish to ardently express our appreciation for all the sponsorships from our represented manufacturers and distribution partners, which benefit the American Cancer Society as well as scholarships for students in the Carolina’s. 2022 promises to be another banner year with our event kicking off at Tot Hill Farm, a new exciting location on October 7, 2022 in the beautiful rolling hills of central North Carolina.

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ERA XCOM DIGEST

I had the pleasure of recently attending the ERA Conference in Austin, Texas. ERA’s conference will be remembered as the first “in-person” live event in the electronics industry since the initial outbreak of COVID two years ago. What an excellent way to create that feeling of a “new normal!” Once again, the ERA Executive Conference Committee put together an informative and enjoyable educational and social networking extravaganza. It was a pleasure to reach out and touch a human in our industry and not be forced onto a small video screen on our computer monitors.

The interaction of all who attended was outstanding. It was as if we had all been thrown into a time machine and sent back to a day when there were no worries of a nasty, contagious virus, face masks, social distancing or restrictions. (Everyone I encountered was completely respectful if anyone felt uncomfortable). But it was obvious that everyone who made the brave decision to attend the event was ready to interact and reconnect with so many friends and colleagues that seemed so distant just a few weeks ago.

It was absolutely refreshing to listen to some excellent speakers live on a stage in a huge ballroom with so much great information to share with over 500 of the attendees. The breakout sessions were right on target as far as topic and presenters. Everything just seemed to come together once again and provide all of those attending with a much-needed boost of energy, motivation and happiness. Many thanks to all who were involved in putting on the best “coming out” party this industry has ever witnessed!

As we all headed back to our daily responsibilities though, the ongoing issues in the manufacturing sector remain real and frustrating. Many are still experiencing huge order volumes along with the many delays due to raw material supplies and logistics backlogs. For many of us (including our rep and distribution partners), this has become a constant battle. Struggling to keep the customers informed of every step of the situation along with trying to supply them with the necessary products to fulfill their production schedules has really added a great deal of stress to our daily lives in this industry.

My advice to my reps and distribution partners is to take each day one at a time.

Give the customers only the honest information that is available that day. Do not make empty promises just to keep them happy, because in the end it is very likely this will not be fulfilled in a timely manner.

We must all keep a daily balance of information that can be passed along to our customers while holding back the things that would be better left between the manufacturers, reps and distributors. This in the end will help avoid the conflicts that usually arise from false promises. This communication process between the three constituents really needs to be strong and most importantly, consistent. Reps need to have a good understanding of each of their principals’ struggles, lead times, level of expedites and the right contacts that can help during a very difficult situation. I think holding a weekly video call with the regional or distribution managers is a good way for all reps to always be in the loop on the latest developments.

Day to day, the logistics frustrations seem to just get bigger and bigger, and all electronic manufacturers struggle with getting products out of their factories and into the right channel. At the time I am writing this article, the Russian invasion of Ukraine has added even more challenges to an already difficult logistics process. This war has disrupted many of our normal operations overseas and has not only added more costs, but also increased the transit time for many of the lanes out of Asia and Eastern Europe. Therefore, constant communication is the key to making sure you always have the latest information available to supply to your end customer. From a Schaffner EMC point of view, I always appreciate when I hear that our rep organization reaches out to our regional managers to stay on top of the latest news and changes as they relate to getting our products out of the factories. I believe the direct line of communication has helped to keep most of our customers content with the overload of bad news that is shared every day.

Last but certainly not least...I would like to once again thank the ERA, the Executive Committee and all of the members, for the unexpected and surprising Tobin Bridge Award that I received at the ERA Conference in Austin. It was certainly an honor and a very humbling experience for me to be receiving an award of this level from my colleagues in the electronics industry. I will be forever grateful

(continued on page 39)

MANUFACTURING UPDATE

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Clear and consistent communication amid logistics frustrations



DISTRIBUTION UPDATE

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Time to spring forward!



Time to spring forward - however, I cannot help but look back. The ERA just concluded their 53rd ERA Conference. What an event! More than 550 people attended this live event held in Austin, Texas. As has become the hallmark of the ERA Conference, the speakers and their content, the breakout sessions, the networking and the awards were all impactful. Participants in the conference all leave the event with a high degree of knowledge, energy and a better understanding of the forward-looking direction of our industry. You should recall that the ERA Conference was last held as an in-person event in February 2020, but pivoted to a virtual event in 2021. More than 800 people attended the virtual 2021 ERA Conference. The momentum from the 2021 virtual ERA Conference was impressive as more than 250 new attendees came to the 2022 ERA Conference. What a tribute to the ERA Staff of Erin Collins, Karin Derkacz, Ama Derringer, Kathy Green and Clare Kluck, the Conference Committee volunteers, the Conference Committee Chair Bryan White, CPMR, of Catalyst Unity Solutions and Vice-Chair Lori Bruno of Luscombe Engineering of San Francisco and ERA's CEO, Walter Tobin.

Looking forward, the past year of 2021 was a year unlike any other in the history of the electronics industry. The increased demand from OEM and CEM customers collided with the supply chain, labor, manufacturing, logistics and weather issues to drive component demand to very high levels. The question of the day is: will it continue? Alternatively, as suggested by some, will it fall off a cliff? It's hard to be sure, but one thing is for sure: distributors will have invested in a significant amount of inventory and the OEM and CEM customers will rely even more heavily on distribution for support. Customer order backlog at distributors and distributor

order backlog at their component suppliers remain at significant levels. Component manufacturers' lead times continue to be long and will possibly stay that way over the balance of 2022, as many of the factors cited above will continue. All of these factors have had the following effects: OEM and CEM customers are taking measures to avoid the delivery issues experienced in 2022, and distributors are reacting to the lead times by ordering significant amounts of inventory to counteract the extended lead time and address increased customer demand. What are the customers' measures

that they are taking? Customers are extending their forecast visibility well beyond historic lead times. In addition, customers are placing purchase orders with scheduled deliveries into 2023. There is anecdotal evidence that OEM and CEM customers are possibly stockpiling inventory as a measure to counteract the long lead times that many component manufacturers are currently experiencing. It is clearly an example of supply and

demand, the economic principle that usually governs our inventory. Currently there is not enough supply to meet the current demand.

Historically, after such a cycle, the next cycle will be an oversupply while demand will be reduced. The question is when will that occur? With supplier lead-time still very long, and no true indicators of improvement, I suggest that it will be more than a year before the current situation changes. Until then, OEM customers continue to develop new applications, new products and new industries. In addition, potential growth in near shoring is a factor, which is a positive sign for North American markets. Distributors continue to strengthen their marketing efforts and continue to support OEM and CEM customers with technical support, supplier management and addressing logistics and inventory support, which is as important

Distributors continue to strengthen their marketing efforts and continue to support OEM and CEM customers with technical support, supplier management and addressing logistics and inventory support, which is as important as ever.

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And just like that, when we thought things were getting better...

Since the first of the year, we have seen the COVID-19 pandemic improve pretty dramatically. Mandates lifted, masks removed, business booming, travel at record levels, stock market strong, trade shows happening and we can make face-to-face calls with a growing number of customers. Life is good—right? Well, not so fast.

Just before I started writing this, and long before you read it, things began to change. Tom Brady retired from football, so what happens to the Bucs? Okay, we will have baseball and the Rays should still be pretty good. Oops, wait a minute, there is a lockout and the season is delayed. How long? Who knows?

To add to the uncertainty, as I write this, there is a senseless war in Europe that has affected all of us and has the potential to be a catastrophic event. I certainly hope and pray that by the time you read this, it is resolved and peace is restored. The stock market has taken a serious hit. Just as we can begin to travel, a trip to the gas station tells us that perhaps we can't afford to travel. Inflation is a serious problem. Housing costs are through the roof. Car prices are insane. I'm not telling you something you are not already painfully aware of.

What do we do? We are a resilient people. We will come through this as we always have. From the standpoint as a nation, we must all pull together, forget the politics and work for the common good. As independent reps, we have always, and will continue, to find a way to be successful. ■

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).

- **CALCUQUOTE** provides quoting and supply chain software for the EMS industry. Visit calcuquote.com.
- **SCHOENBERG FINKEL BEEDERMAN BELL & GLAZER LLC** offers legal Expert Access services to all ERA members. Visit sfbg.com or call Adam Glazer or Gerry Newman at 312-648-2300.
- **REPFABRIC** is a mobile efficiency tool that speeds up the entire workflow of business. Contact Repfabric at info@repfabric.com, or call 844-737-7253, x225, to schedule a consultation.
- **SPYRE GROUP** offers resources that help sales rep firms provide value to the manufacturers they represent and increase efficiencies for their sales teams. Contact Patrick Knoelke at 913-499-6014 or visit spyregroup.com/rep.
- **EMPOWERING SYSTEMS'** cloud solutions are designed for reps and how reps work. Contact Carroll Boysen at 888-297-2750 x709 or visit empoweringsystems.com.
- **BUDDE MARKETING SYSTEMS** is a leading provider of point-of-sale (POS) reporting. Call 708-301-2111 or email sales@buddemarketing.com.
- **RPMS** offers sales analysis, commission reconciliation and sales force data exchange software designed exclusively for manufacturers' reps. Visit rpms.com.
- **LECTRIX** is a results-driven marketing company that serves electronics manufacturers, suppliers and representatives. Visit lectrixgroup.com.
- **JJM SEARCH** is the global executive search firm founded by Carla Mahrt, a 20-year electronics industry veteran. Visit jjmsearch.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). ■

MATERIALS,
ASSEMBLY,
PRODUCTION
& SUPPLY

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Resilience in the
face of uncertainty

The latest in the ongoing saga between BI-QEM and its rep company

Sharp-eyed readers will recall that BI-QEM, owner and operator of certain manufacturing facilities, was featured in this column in Summer 2020 for the exceptionally “shabby treatment” it directed at Trade Links, its longtime exclusive rep. Back then, it was noted that “in the lengthy annals of sales rep-principal relationships ending badly,” BI-QEM’s conduct “deserves exceedingly prominent mention.”

In the nearly two years of ensuing litigation, things have not improved.

BI-QEM’s first shot was not even close

To recap, back in 1999, the parties entered into a sales representative agreement (SRA) containing an initial three-year term with an automatic annual renewal, provided Trade Links met the minimum sales requirement for the previous year. Although the parties did not discuss or set a minimum sales requirement after 2002, their relationship continued.

In May 2018, BI-QEM wrote to Trade Links terminating the relationship effective at year end. Viewing the termination notice as a violation of its automatic renewal rights, Trade Links filed a demand for arbitration, as the SRA provided.

After trying and failing to halt the arbitration proceedings, and one day after Eliot Essagof of Trade Links testified before the arbitration panel, BI-QEM withdrew its termination letter. During the resulting negotiations, BI-QEM made certain representations that led to a settlement, and Trade Links agreed to dismiss the arbitration case.

The shabby treatment, however, only worsened. BI-QEM soon presented Essagof with a new operations manual enabling it to micro-manage Trade Links’ activities. Essagof then raised the issue of unpaid commissions, leading BI-QEM to threaten to shut down its operations and file for bankruptcy protection “so that you get nothing.”

BI-QEM even told customers to place orders direct, not with its sales rep, and to

make no sales information available to Trade Links. When customers placed such orders, no commissions were paid.

In response, Trade Links formally terminated the SRA in March 2019, and brought several claims in the Connecticut federal court, including for: (1) breach of contract, causing it to lose future commissions; (2) breach of the duty of good faith and fair dealing, including at the arbitration; and (3) under the Connecticut sales rep statute for double damages, plus attorney’s fees and costs.

As discussed in the 2020 column, BI-QEM moved to dismiss the complaint, but the judge squarely rejected each of its arguments.

BI-QEM reloads

The denial of a motion to dismiss means a case can move forward, and the parties take discovery on their respective claims and defenses. Following discovery in this action, including the taking of depositions of expert witnesses, BI-QEM again sought to prevent this action from reaching a jury by moving for summary judgment.

Summary judgment motions are often filed but rarely granted. Under the law, judges are not to weigh the evidence or to decide factual issues. A judge’s function on summary judgment is simply to decide whether the case should get decided by a jury, which is indicated if a hypothetical “rational juror” could decide in favor of the party opposing the motion.

This low threshold dooms most summary judgment motions in favor of allowing a jury to decide the contested issues. Yet, BI-QEM resurrected most of the arguments from its unsuccessful motion to dismiss. To no surprise, they met with the same chilly reception on summary judgment.

Each of BI-QEM’s arguments, according to the judge, “implicates obvious factual disputes,” and its motion inappropriately

(continued on next page)



by Gerald M. Newman
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by Adam Glazer
ERA General Counsel

“reads like a closing argument premised on BI-QEM’s sometimes myopic view of the evidence.”

Taking aim at Trade Links’ breach of contract claim, BI-QEM misfires

Attacking Trade Links’ claims for lost future commissions, BI-QEM asserted that the annual renewal of the SRA was subject to various conditions, even though renewal was premised only on meeting the minimum sales requirements. Yet, BI-QEM insisted that claiming damages resulting from a breach is necessarily premised on an overly speculative renewal. Taking BI-QEM’s position less than seriously, the court simply noted that “a plaintiff may recover future losses as long as such recovery is limited to a reasonable time and is supported by the evidence.”

Because Trade Links was prepared to show at trial that, had BI-QEM not breached the SRA, the parties’ relationship “may have lasted into the future for some period of time,” based on its expert’s report and the “course of dealing” between its customers and BI-QEM, the court ruled that damages would get decided by the jury. “Whether Trade Links is able to demonstrate that it is entitled to future earnings for fifteen years, fifteen days, or not at all is a factual question for the jury.”

BI-QEM shoots blanks at the breach of the duty of good faith claim

Trade Links alleged various acts of bad faith by BI-QEM, but BI-QEM addressed in its summary judgment motion only the claim that Trade Links was deceived into withdrawing from the arbitration. The court deemed BI-QEM’s arguments to escape this claim “meritless,” noting that even if the claim was limited to BI-QEM’s 2018 arbitration conduct, the knowingly false representations allegedly made are “probative of Trade Link’s assertion that BI-QEM was acting in bad faith in an effort to deprive Trade Links of benefits to which it was entitled under the SRA.”

The allegations that BI-QEM deceived it in order to terminate the arbitration, and that BI-QEM never intended to honor the SRA going forward, despite its assurances, and in fact immediately reneged on its

promises, were all supported by Trade Links with ample evidence. Accordingly, if Trade Links shows this bad faith by BI-QEM at trial, the court stated it will be “entitled to the damages which flow from this conduct.”

BI-QEM’s challenge to the sales rep statute gets shot down in flames

Narrowly zeroing in on the claim under the Connecticut sales rep statute for double the commissions based on its May 2018 termination letter, BI-QEM sought summary judgment because it later withdrew this letter, contending the SRA continued until terminated by Trade Links in March 2019. The court quickly repelled this attack, finding it “presupposes facts which are in dispute.”

Whether BI-QEM breached the SRA by improperly seeking to terminate, and thereby damaged the parties’ business relationship, was another fact question for the jury to decide. Actually, if Trade Links showed that BI-QEM repudiated the SRA at any point prior to March 2019, “then Trade Links may be able to recover penalties available under” the Connecticut rep statute.

It’s not (yet) the whole shooting match

At the very beginning of her discussion of BI-QEM’s latest motion, the judge wrote: “This case is going to trial.” With that sentence, she essentially denied BI-QEM the pre-trial escape it sought.

Certainly, BI-QEM has good reason to file repeated motions and seek to keep this case from ever reaching a jury. The malevolent conduct allegedly directed at Trade Links is so alarming that, if proved, the double damages provision of the Connecticut statute seems well within reach.

For purposes of furnishing material for future sales rep columns, however, it is hoped BI-QEM sticks to its guns and refuses to settle. Should that path get taken, additional chapters of this saga are expected to write themselves based on the results of a trial and, no doubt, appeal(s) of a clearly foreseeable jury award. ■



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know **YOUR** markets and **YOUR** customers!

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The Florida-Sunshine ERA Chapter promotes and advances the growth and professionalism of our members through education, networking, peer discussion groups and service to our customers and community.

For details on Florida-Sunshine ERA, go to
erasunshine.org

TAX MATTERS

Minimizing taxes when purchasing and selling sales representative organizations

Like other businesses, sales representative organizations are purchased and sold for a variety of reasons. What distinguishes sales representative organizations in the purchase and sale context is that the owners generally do not sell their businesses to unrelated third parties. Rather, sales representative businesses are typically sold to employees of the business, children of the owners or other related parties. Related party transactions often cause buyers and sellers to take a holistic view of the purchase and sale transaction, both from a business and a tax perspective. Unlike conventional purchase and sale transactions where buyers and sellers negotiate the income tax aspects of the transaction for their personal benefit, determining the tax structure in the purchase and sale of a sales representative organization is often done on a collaborative basis.

Consider a sales representative organization conducted in the form of a S corporation where the seller sells and the buyer purchases the stock of the business. From the seller's perspective, if the seller held the stock for a period of more than one year, any gain from the stock sale will be taxable to the selling shareholder as a long-term capital gain. With a federal capital gains tax rate of 20 percent and other federal impositions and state income tax rates which vary from state to state, it is not unreasonable for a seller to pay income tax in the 30 percent range on the gain from the sale. In a stock purchase transaction, no income tax deduction is allowed to the buyer for amounts paid to purchase the seller's stock. In this case, viewing the buyer and seller together, the result is a net outflow of 30 percent for taxes to the governing tax bodies.

Suppose that instead of a transaction involving the purchase and sale of stock, the seller sells and the buyer purchases the assets of the seller's business. In the case of asset purchase transactions, governing tax rules require the purchasing and selling

parties to allocate the purchase price among the assets bought and sold based on the fair market values of such assets. Ignoring some complexities which are not generally relevant in these circumstances, the purchase price must first be allocated to accounts receivable, then inventory and then tangible personal property with any excess portion of the purchase price allocated to goodwill. After the purchase price is allocated to each asset sold, the seller's gain or loss is computed based on the difference between the portion of the sale price allocated to each asset sold and the purchaser's tax basis in each asset which is often the price the buyer paid for such assets.

In the sales representative world, very few organizations hold meaningful amounts of accounts receivable, inventory or tangible personal property. While many sales representative organizations hold contracts with the manufacturers they represent, little value is often placed on these contracts as they can usually be terminated by the manufacturer on short notice. The result is that the largest portion of the purchase price of a sales representative organization can be allocated to goodwill. While goodwill can have different meanings, the goodwill of a business organization is the intangible value of the business which is not attributable to specific business assets. The general reputation of a business in the industry is an example of goodwill.

Now consider instead a sales representative organization where the transaction is structured as an asset sale and virtually all of the sale price is allocated to goodwill. Goodwill is a capital asset so any gain from the sale of goodwill is taxable as a capital gain. The tax result for the seller is similar to the tax imposition from a stock sale as the seller will report any gain from the sale as a long-term capital gain assuming the one year holding period requirement is satisfied. From the buyer's perspective,



by Bruce Bell, CPA/Attorney

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A founding member of the firm, Bruce chairs the firm's transactional and tax practices. He concentrates on federal tax, estate planning and general business matters.

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SOMEONE YOU SHOULD KNOW: Jeff May

(continued from page 13)

Digital marketing has become increasingly important – and expected. Data management and marketing has been a fundamental reason for our success since our inception.

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?

Working with our competitors to improve our industry has been rewarding. The stronger our competitors are, the better Logix will be. Our industry is strengthened when collaboration occurs amongst our distributors, principals and sales representatives. It is exciting to see the synergies created when everyone works together to improve our sales channel. Walter and the ERA team have been very instrumental in growing the ERA membership base. Understanding the distributor and manufacturer perspective has helped to improve our business model. I also believe it has brought the three pillars of our industry closer together.

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

I am active on LinkedIn. All ERA updates are helpful – keep them coming!

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

I was a bartender and ski instructor in Aspen after college. Texas Instruments allowed me to delay my start date so I could enjoy a ski season prior to entering the real world. ■

TAX MATTERS: Purchasing and selling rep companies

(continued from page 37)

the portion of the purchase price allocated to goodwill can be amortized and deducted over a 15-year period. Assume the buyer is in the 35 percent combined federal and state tax bracket and the present value of the goodwill deductions over the fifteen-year amortization period is 60 percent of the purchase price. In this case, there will be the same net outflow of taxes of 30 percent paid by the seller but the buyer will enjoy an effective tax savings of 21 percent (the 60 percent present value of the amortization deductions multiplied by the buyer’s 35 percent tax rate). In this scenario, the net outflow of taxes to the government is only 9 percent. The parties have collectively benefited from the transaction being structured as an asset purchase and sale with the purchase price allocated to goodwill.

Now consider another variation where the seller agrees to render services for the buyer after the sale and virtually all of the purchase price is attributable to the services the seller will render, whether as an employee or as an independent contractor. In this case, the seller will be taxed on the full amount of payments when received as ordinary income where the highest marginal federal income tax rate is 37 percent. The buyer in turn will be able to deduct the full amount of the payments made. Ignoring payroll taxes which in many cases are not a factor, the transaction could result in no significant net outflow of taxes to the government as the amount taxed to the seller will equal the amount deducted by the buyer.

In the last scenario, while there is tax neutrality, the seller shoulders a disproportionate share of the tax burden since the entire amount of consideration paid is subject to ordinary income tax. The parties can increase the payments to the seller to place the seller in the same position the seller would have been in had all of the seller’s gain from the sale been treated as a capital gain. The increased payments will be subject to income tax which can then be factored into the equation. Nevertheless, the parties can largely achieve tax neutrality without doing disservice to either party.

There are numerous factors which must be considered in the purchase and sale of a sales representative organization. Income and other taxes are no doubt a significant factor. As the purchasing and selling parties negotiate the purchase and sale price for the transaction, the focus should not just be the amount of the purchase price but rather the amount of the purchase price paid and received after taxes. Too often the parties in a business transaction focus on tax issues after the transaction has been consummated. Where the parties are intent on minimizing the overall tax burden for both parties, a thorough analysis of the tax aspects of the transaction is essential. ■

MANUFACTURER UPDATE: Clear and consistent communication

(continued from page 31)

for the kind recognition and the importance that this award represents because it really means everything to me. Please feel free to reach out to me anytime at Schaffner (ken.bellero@schaffner.com) if you have any questions or concerns about your involvement with this great organization. My door, phone and email are always open! ■

DISTRIBUTION UPDATE: Time to spring forward

(continued from page 32)

as ever. Component suppliers continue to develop NPI and increasingly rely on their distributors and reps to manage the OEM and CEM customers in a world fraught with supply and demand challenges.

Another significant development over the past 18 months has been the creative and solid approach that rep firms have employed to strengthen their engagement with customers. The reps’ pivot to virtual engagement has kept the rep organizations in touch with their customers. Their investment in tools to bring enhanced value to each virtual meeting has positioned them to continue to be a trusted partner for their customers. Reps are providing tools such as audio-visual equipment to better display products during a technical call, providing training and industry trends to customers and distributors, and developing and employing marketing communications tools to expand their reach and enhance the delivery of content developed for customers. Even adding a link to their emails that enable customers, suppliers and distributors to contact the reps for an impromptu virtual meeting has enabled them to increase their value during this time of limited in-person meetings.

Therefore, it’s time to spring forward! I trust that we all will continue to meet the exciting challenges our industry provides each day. Over the past two years, I have never faced as many challenges that were unheard of until now. Yet, together we have met many of these challenges and I look forward to many more. Thanks for the teamwork. ■

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CHAPTER NEWS



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.

CHAPTER OF THE YEAR AWARDS

At its annual Conference, held Feb. 28 – March 1 in Austin, TX, the ERA announced the chapters that have been selected as Chapters of the Year award recipients for their 2021 activities.

The award recipients were: **Education:** Southern California Chapter for their virtual event “Marketing Your Agency on LinkedIn;” **Membership and Member Services:** Florida-Sunshine Chapter for their annual DTAM analysis; **Networking:** New England Chapter for their inaugural golf event.

Congratulations to all recipients!

ARIZONA

The Arizona chapter started off strong in 2022 with its first Board of Directors meeting to discuss events for the year and set plans in place for a minimum of one event per quarter for the year. The chapter also discussed strengthening its Board and membership as main objectives for the year. The first event was simply a happy hour to engage with reps and distributors to explore the benefits of becoming members. The event boasted over 20 attendees. And the chapter also announced adding Jason Schouten of Spectrum Marketing Associates as a new member of the Board of Directors.

Metro Phoenix, as well as the Tucson market, are rapidly expanding their footprints in the electronics industry. From the major foundry expansions from Intel and TSMC to the incredible influx of the EV industry, there are countless opportunities for the Arizona chapter to bring value to its members.

The chapter's Q2 event will be a golf tournament intended to be both a social and a recruiting event. In addition to existing members, invitations will be extended to other reps and distributors to broaden our reach in the region. The chapter is looking forward to taking the lessons learned at the conference and delivering valuable messages to our business partners.

CAROLINAS

Carolinas Chapter continues to host their monthly virtual networking events focused on various industry topics of discussion for each session. The chapter held their annual DTAM and scholarship event virtually on March 28.

The chapter has announced it will host its annual golf tournament at Tot Hill Farm in Asheboro, N.C. on October 7. More information to come!

CHICAGOLAND-WISCONSIN

On March 17, the chapter hosted its first in-person meeting of 2022 in Kenosha, Wis., welcoming over 25 attendees for a St. Patrick's Day event that included a recap of the 2022 ERA National Conference. The group enjoyed a breakfast buffet with a robust discussion covering best practices and takeaways from the educational sessions that were presented at the conference.

The chapter's Board of Directors hosted a

virtual meeting in early April to continue planning for events for the remainder of the year.

EMPIRE

Empire Chapter is pleased to announce their new officers and directors for 2022. Elected to the following officer positions were: Laura Senn-Sanborn, president; Patrick Coyne, MARCOM; Melissa Peters, secretary/treasurer; Rick Wray, vice president of programming; and Rob O'Rourke, director. Additionally, the chapter approved Jim Gleason as national delegate, and Chuck Tanzola as alternate director/delegate.

Empire Chapter hosted its annual DTAM study and forum in March at Ravenwood. This year's event featured speaker Dennis Reed from Edgewater Research. Dennis recently presented a breakout session at the ERA National Conference and the Empire Chapter was thrilled to have Dennis present to the group. The chapter was pleased to have Rick Wray present the DTAM with well over 20 years of historical data.

Empire Chapter is excited to host its 2nd Annual Julie Baker Golf Tournament on August 1 at Ravenwood Golf Club. Based on last year's very successful event, the chapter looks forward to another great turnout this year. Stay tuned for more information coming soon.

SOUTHERN CALIFORNIA

The Southern California Chapter of ERA kicked off the new year with a planning meeting regarding an events schedule for 2022. The planning meeting included not just members, but other stakeholders in the Southern California rep community.

The chapter has developed a list of significant events both educational and social. Events include four educational owners forums. Topics include digital marketing, new tax regulations and hiring/retaining employees. Planned events that include the rep community, distributors and manufacturers are a reception tied to the Del Mar Electronics Show, a chili cook-off, local economic update, a tabletop show centered on the border manufacturers and the Sagebrush social. The chapter will finish the year with their annual golf tournament in November. ERA SoCal looks forward to an active year and the success of its members.

SOUTHWEST

The Southwest ERA Chapter donated \$500 each to both Uplift Summit and Plano ISD High Schools for their FIRST Robotics programs. The chapter wanted to use these donations to help these schools enter the FIRST Robotics competition, and to encourage these students to stay in the STEM field and encourage them to enter the electronics industry one day. The chapter will hopefully be getting a demo from one of the schools on their robotics achievement, but that is dependent on the school districts allowing visitors. ■

**For details on Chicagoland-Wisconsin ERA,
go to chiwisera.com.**

IN MEMORIAM

ERA MOURNS
KATHY GREEN, ERA
STAFF MEMBER



With profound sadness, ERA must announce the April passing of Katherine (Kathy) Green, a 32-year member of the ERA staff family. Kathy's decade-long, valiant battle with cancer was mostly unknown outside of her immediate family and circle of close friends. This was her preference, and she was still handling her ERA responsibilities as usual up until early March. Those responsibilities were many.

Her countless credits and accomplishments on behalf of ERA have reflected both her technological and artistic talents, including: the design, development, maintenance and updating of ERA's website ever since its inception in 1995; the design, development and maintenance of websites for numerous ERA chapters and member firms; the development and maintenance of all ERA databases; the creation of all ERA conference logos, program brochures and other materials; and in recent years, the graphic designs of all covers of *The Representor* magazine. In addition to her work for ERA, Kathy was a mosaic artist, a musician (who played for years in a Chicago Irish band) and an entrepreneur who designed, manufactured and sold pet collars.

Most ERA members knew Kathy from her staff work at national conferences and at the ERA booth at EDS. However, most do not know that Kathy was the proud daughter of the late Raymond J. Hall, the association's longest-serving CEO. Kathy has described how she "grew up" in ERA and has said she considered ERA members and staff her "second family." Her most recent comments to that effect came during her acceptance of ERA's 2022 Tess Hill Award. COVID-19 concerns kept Kathy from attending the Conference as usual, so the presentation was made in advance by Karin Derkacz, the 2021 award recipient, and Tess Hill. A pre-recorded video of Kathy happily accepting the award was shown at the Conference.

Kathy was preceded in death by her father and her brother, Raymond J. Hall, Jr. Her survivors include her husband Jeff, mother Anita (Annie) Roti, sister Tracey (Joel) Stewart, seven nieces and two nephews. A celebration of Kathy's life will be held later this year. Memorial donations will be appreciated to the American Cancer Society (cancer.org). Messages of condolence can be addressed to: Jeff Green, 7120 N. Ashland Blvd., Chicago, Illinois 60626.

ERA MOURNS HALL
OF FAME MEMBER W.
DAVID MCCOY

ERA announces the passing of W. David (Dave) McCoy, a member of ERA's prestigious Hall of Fame and the decades-long owner of Cartwright & Bean, Inc., of Duluth, Ga. He was 87. Dave started as a salesperson at Cartwright & Bean in 1953 (at the age of 19) and eventually became the owner of the 70-year-old rep firm that he grew into one of the largest in the nation. Throughout his years in the rep business, he was an active volunteer in ERA, first with the Dixie Chapter and then on the national leadership level. Even before he was elected to ERA's national executive committee, Dave earned the association's Key Award and was inducted into the White Pin Group in 1986. He began his six-year tenure as an ERA national officer in 1989, was elected president in 1991 and completed his service as chairman of the board from 1993 to 1995. A year later, he was inducted into ERA's Hall of Fame at the 1996 ERA National Conference on Monterey, Calif. Beyond his volunteer work for ERA, Dave held many executive positions with his church in Dunwoody, Ga., and was a founding father of Dunwoody Senior Baseball where thousands of young people have spent their summers. Dave's survivors include Nona, his wife of 68 years, daughter Sherri McCoy Householder, son Jim, son Jeff and his wife Sharon. A memorial service was held in April at Kingswood Church, 4896 N. Peachtree Rd. Dunwoody, GA 30338. In lieu of flowers, donations to the church would be appreciated.

ERA MOURNS
STEVE ROSS

ERA announces the passing of Steve Ross, a long-time northern California rep firm owner and past national officer of this association. He was 79. Steve earned a BSEE degree from Purdue University where he was a four-year ROTC member. After graduation, he served as a second lieutenant in the U.S. Army providing logistical support to the 82nd Airborne Division. In 1970, he joined the northern California rep firm that his father had founded in 1947 and spent the next 31 years in sales and management, eventually becoming the firm's second generation owner. Throughout his career, he was an active volunteer in the electronics industry, including his tenures as president of the EDS Board and chairman of the WESCON trade show. For ERA, he held many offices in the Northern California Chapter, served on the national executive committee as senior vice president/membership and was an ERA trustee on the board of the MRERF.

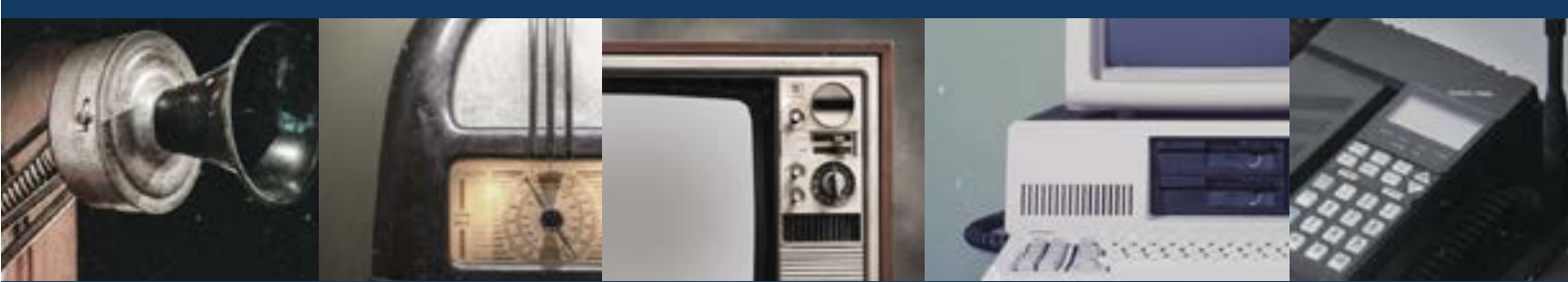
He was also inducted into the ERA White Pin Group in 1984, was among the first reps to earn the CPMR designation, and was awarded Life Membership in ERA upon his retirement from the rep business in 2001. Steve filled his later years with many types of volunteer work in educational and community settings as well as with the Palo Alto University Rotary Club. His survivors include his wife Karen, their two children and spouses, and two grandchildren.

In lieu of flowers, the family will appreciate memorial donations to Child Advocates of Silicon Valley (<https://childadvocatessv.org>) or Mission Hospice (<https://www.missionhospice.org>).



1887

Emile Berliner receives the patent for the gramophone.
James Blyth builds the first electricity generating wind turbine.
Herman Hollerith receives a U.S. patent for his punch-card calculator.
Sager opens its first location in Boston, Massachusetts.



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