



MEMORANDUM

TO: Executive Leadership, Electronic Component Suppliers

SUBJECT: Strengthening Supply Chain Resilience Amid Increasing U.S. Tariff Complexity

The Strategic Importance of a Stable Distribution Channel

The ability to reliably serve our broad market of customers depends on a strong and financially sound authorized distribution network. While tariff volatility impacts every part of the supply chain, including raw materials, manufacturers, distributors, and customers, the strategic challenges facing electronic components distributors are often less understood. Today's shifting U.S. tariff landscape is placing mounting strain on distributors, creating operational inefficiencies, tying up capital, and introducing avoidable risk into the channel. These factors limit collective agility and impair the channel's competitive position. We ask for your direct action to help address these challenges.

Key Pressure Points Affecting Channel Performance

- 1. Unpredictable and Inaccurate Customer Quoting** - Ongoing tariff adjustments, retroactivity, and ambiguous HTS classifications prevent distributors from providing firm, long-term pricing. This uncertainty forces conservative quotes, prolongs sales cycles, and undermines customer confidence—directly affecting revenue velocity and competitiveness. Ship and debit processes add further complications to accurate quoting and duty calculations.
- 2. Working Capital Locked in Duty Drawback** - Duty drawback, designed to recapture duties on exported components, has instead become a significant drag on liquidity. Extensive documentation requirements, lengthy processing timelines, and data demands on suppliers result in substantial capital being immobilized for months or even years. This restricts distributors' ability to invest in inventory, service capabilities, and growth initiatives that directly support supplier performance.
- 3. Inventory Valuation Volatility** - Rapid tariff shifts create financial exposure for distributors holding inventory. Constant revaluation introduces balance-sheet instability, complicates financial reporting, and increases insurance and write-down risk—all adding cost and uncertainty to the channel.

Leadership Opportunity

Mitigating these pressures requires coordinated, executive-level focus and improved collaboration between partners to ensure effective and efficient implementation. The following actions can materially enhance channel resilience:

- **Improve Data Transparency:** Provide distributors with verified country of origin and tariff classification data to enable accurate, stable pricing in the market.
- **Streamline Duty Drawback Processes:** Partner with distributors to create standardized, digital workflows that shorten recovery timelines and free working capital. Alternatively, allow distributors to become the importer of record when appropriate, so that Free Trade Zones may be utilized.
- **Explore Shared Risk Models:** Evaluate equitable frameworks for managing unexpected tariff costs and inventory valuation impacts, thereby strengthening long-term channel stability.

Conclusion

Your leadership matters. A healthy, liquid distribution channel is essential for serving customers and remaining competitive. Supporting these priorities—and ensuring your teams focus on solutions—will help reduce tariff-related friction and keep the channel resilient and ready for growth.

Sincerely,
David Loftus
President and CEO, ECIA

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