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REPORT FOREWORD

THE VALUE DELIVERED BY AUTHORIZED CHANNEL
PARTNERS FOR ELECTRONIC COMPONENTS



GLOBAL SUPPLY CHAIN
LABORATORY
TEXAS A&M ENGINEERING EXPERIMENT STATION



TALENT INCUBATOR
TEXAS A&M UNIVERSITY

Foreword

by Dale Ford, ECIA Chief Analyst

This new ECIA study "The Value Delivered by Authorized Channel Partners for Electronic Components" delivers a model and value analysis of authorized distribution for electronics component manufacturers. The original analysis performed over 20 years ago focused on proving the value of the services electronic component distributors provide. The ECIA Board of Directors recently decided that it would be beneficial to publish an update to this research that reflected the significant changes in the industry since the publication of the original study. ECIA selected a team of professors and graduate students from Texas A&M University's Global Supply Chain Laboratory to conduct research and publish a new report. They were selected for this project based on their ability to bring an independent perspective to the topic, the analytical capability they have developed with a highly recognized program dedicated to supply chain research, and their previous experience as team conducting the original study.

In addition to updating the original analysis, this new analysis quantifies benefits delivered through areas such as value-added services (VAS) and the digitization of sales processes. It shows how authorized distributors and manufacturer representatives deliver value through a customer centric approach, demand creation, and strategies for generating, managing, and sustaining growth.

The nature and value of the manufacturer / distributor relationship continues to change. Multiple customer case studies conducted in this new research that revolve around existing customers, new customers and EMS/ODM customers reveal the diverse range of value and solutions delivered by authorized distributors and manufacturer representatives.

While not included in the original study, this new analysis shows how Manufacturer Representatives provide value through engineering solutions, sales, marketing, and customer support services like customer intimacy within a geographical area, ease and speed of new product introduction, innovative demand creation and lead generation, digital marketing and data analytics, customer support, outsource of sales role, product demo and training platforms, etc.

Important Note on Avoiding Use of Non-Authorized Sales Channels

This study does not address the critical difference between the use of authorized distributors compared to brokers, independent distributors, and other non-authorized sources. ECIA has addressed the vital importance of only purchasing through authorized distributors in many other publications. Please note the strong caution below about the hazards associated with the non-authorized channel.

Manufacturers will only provide full support on their products purchased through manufacturer-authorized distributors and sales offices, including quality, reliability, failure analysis, and applications support. A manufacturer cannot determine the origin or legitimacy of products procured through brokers or other non-authorized sources. They cannot provide warranty coverage or any quality, reliability, failure analysis, applications, or other support on such products. A manufacturer will neither accept returns nor provide credit on products that have been purchased from brokers or other non-authorized sources.

Recent articles in semiconductor industry publications have reported the availability of used, damaged, and counterfeit products on the broker market. The leading reason that customers experience IC failures is because the products have been purchased from non-authorized sources. Non-authorized sources often sell products which may have been improperly handled/stored or may be counterfeits. For more details, please see the SIA Anti-Counterfeiting Task Force Whitepaper. Therefore, to ensure you are receiving unused, authentic manufacturer products, and to take full advantage of the reliability levels required for these products, please ensure all purchases are made through authorized distributors and sales offices.

FIVE KEY TAKEAWAYS FROM THIS REPORT

1. Distributors play a vital role in the supply chain by bridging the gap between manufacturers and customers. They provide various values such as product and services expertise, inventory management, cost savings through bulk buying power, logistics support, market and business intelligence, sales support, technical support and training, marketing support, risk management, and innovation.
2. Independent manufacturers' representatives offer expertise, market knowledge, sales support, customer service, relationship building, cost-effectiveness, regional expertise, technical support, and brand representation to manufacturers and customers.
3. The authorized channel partnership model generally outperforms the direct selling model in terms of cost efficiency for all but the largest, most predictable customers. It allows manufacturers to focus on core competencies, achieve economies of scale, and lower unit costs, resulting in increased profit margins.
4. The specific dynamics of each scenario and the type of channel partner play a significant role in determining the degree of cost savings achieved through the authorized channel partnership model. Factors such as product volume, distributor type (broadline, specialized, high service), and traditional vs. optimized processes impact the cost-effectiveness of the model.
5. Accurate data, market research, and collaboration between manufacturers and authorized channel partners are crucial for maximizing the benefits of the authorized channel partnership model. Reliable data ensures that cost analysis reflects real-world scenarios and industry trends, while collaboration minimizes channel conflict and optimizes operations.