

Continuity and pricing remain challenging

A spike in demand, and the fallout from extended leadtimes and allocation will drive change in 2019, but continuity and pricing will continue to be the biggest challenge for buyers

Increased demand is being felt across many sectors, including those in harsh and critical operating environments. The industrial, rail, space and military markets all feel increasingly buoyant. While this upswing will add pressure to availability in 2019, the fallout from OEMs' ordering strategy in 2018 will also deliver a changed dynamic.

As the value of components such as ceramic capacitors was driven by supply rather than price, many OEM and EMS buyers placed orders

for delivery going out until the end of 2020. Charcroft helped to minimise these extended leadtimes and to limit double ordering by finding alternative parts with faster availability, however, some manufacturers reacted to increased double bookings by adding a 'no cancellation, no return' clause. This means buyers now have little flexibility to manage supply continuity.

As leadtimes stabilise, component manufacturers are beginning to quote delivery at the end of

2019 for parts which were previously on allocation. Some manufacturers are also willing to push out deliveries on NCNR orders.

A second response from manufacturers has been to increase the price of back-logged devices. From Charcroft's perspective, this means working closely with each customer to find ways to fulfil orders with greater flexibility, such as giving customers access to residual stock or by replacing multiple parts with a single device on shorter leadtime.

Through 2019, billings will continue to be strong, but bookings are likely to fall. There also appears to be a stronger focus on manufacturing within the UK. Overall, 2019 looks as though continuity and pricing will continue to be challenging for buyers. Distribution will therefore need to use its expertise and experience to deliver creative and effective solutions to support OEMs in a dynamic industry.

www.charcroft.com



Director, **Charcroft Electronics**, **Debbie Rowland**

Innovation is the critical pillar

President global sourcing for RS Components, Kurt Colehower, reflects on the importance of being prepared for future challenges in the electronic components distribution industry

At the start of 2018, the Association of Franchised Distributors of Electronic Components was predicting that the components market would grow around 8.5 per cent, however, a slowdown is now forecast for the second half of the year. While the European and global electronics markets are set to expand, the mood throughout UK industry is one of uncertainty, not least as a result of Brexit.

Whether it is the fast pace of technological change or

potentially game-changing business challenges, it is paramount that high-service distributors can adapt their strategy to stay relevant. Since its inception, RS has been prepared to react rapidly to market changes. We launched our first website in 1998 and now digital represents over 70 per cent of our European revenues. Due to the ease, speed, reach and data that digital channels create, this will become the go-to-market strategy for the distribution industry.

As with other distributors, the priority for RS is to maintain continuity of service and supply to our global customer base. We have an international distribution centre footprint, with 12 warehouses globally including the UK, France, Germany and Italy. Experience in managing different legislation across multiple jurisdictions means our model can adapt to change.

Looking ahead, the distribution industry

will become larger, more consolidated and less fragmented. The electronic components market will continue to grow as demand increases for consumer electronic products and automotive electronic systems. Innovation is key to survival; developing and delivering innovation and disruptive services beyond products will therefore be a critical pillar for all distribution companies in the future.

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President global sourcing for **RS Components**, **Kurt Colehower**