



By Harry J. Abramson

## A Perfect Time for this Rep to Vent

**H**ave Americans lost sight of what's important? Are we paying more attention to "Desperate Housewives" than to the desperate people in our own country? I'm talking about the millions of Americans who are unemployed and under-employed with poor paying (Wal-Mart) jobs. Furthermore, don't forget about the 4.5 million of us, who live precariously without health insurance. These are the battles that we have to fight at home. Do you wonder why so many Americans are more tuned into "American Idol" than the American President? Do you find it repulsive? Last, but most important, lower costs appear to be the driving force of worldwide economics, and in particular the electronics industry. This article examines the effects on both reps and distributors.

Many Americans are out of work because their jobs have migrated overseas. Our national debt is spinning out of control. If we don't apply the brakes, many economists feel that it threatens the financial stability of future generations. And while we are having memorial services for our gallant servicemen fighting an arguably senseless war, how about mourning the job losses as well? Where are the values and priorities of our elected leaders? Please excuse my reference to the aforementioned television shows. Frankly, I'm not into reality TV, but American-based manufacturing may not survive as long as the "Survivor" series. Personally, I hope our political leaders see the light and redirect our nation's priorities. As an example, I believe that we should get out of Iraq and, more importantly, that we should never have gone there in the first place. Our country's security was never threatened and now it has been proven that Saddam never had WMD's.

### DTAM Shift

Ten years ago I wrote an article for EDT stating that the future of electronic distribution never looked brighter. How-

ever, in the past decade much has changed and I would rephrase my statement by saying "the future of electronic distribution in Asia, especially China, has never looked brighter". Recently I have had conversations with some senior management of global distributors, who commented that they wouldn't be surprised if the DTAM for board level components was larger in China than in the U.S. – I am convinced that it is.

### Industry Trends

According to the latest DTAM survey conducted by Budde Marketing, the numbers have slipped dramatically. As an example, the national DTAM in 2000 was \$24 billion and the 2001 results show a resounding drop of 40% to \$14 billion. Subsequently, Electronic News stated that 2002 closed at \$11 billion – it's been downhill ever since. As reps and distributors, we're being severely impacted. Is our country destined to lose its manufacturing base? Yes, if we do nothing and remain apathetic. But, on the other hand, you may subscribe to George W's mantra – "If it's good for big business, it's good for America". I say that's true for our

country's richest people, but hardly true for our middle and lower classes. Outsourcing and off-shoring – call it what you may – are driving millions (if they can afford the gas) to the unemployment lines and bread lines.

### Fear of Outsourcing

Salespeople are driven not only by money, achievement and recognition, but by fear of failure as well. All of the aforementioned are great motivators, but another fear has entered the arena as well, and that's the fear of losing your job based on the spectre of outsourcing and off-shoring. This can happen to the most effective of salespeople and it can be totally outside of their control. But it's all a reflection of the radical economic changes taking place in our country in the name of cost cutting and higher profits.

### Free Trade is Hurting U.S. Reps

You don't have to be an economist to understand that the more OEM's and CEM's outsource their manufacturing to off-shore sites, the worse it is for domestic-based reps. As a matter of

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fact, it's also taking its toll on distributors who lack an off-shore sales presence. For reps it means a split commission at best, on the proviso that it can be tracked. For commodity product at major CEM's, this is often a monumental job.

This Administration's failed trade policies are costing us jobs – not creating them! Instead of recognizing the need to change direction, the President's forthcoming appointment of Rob Portman to be the next U.S. Trade Representative does not bode well. Portman has voted in favor of every major free trade agreement negotiated by the past two administrations. To top that off, Portman is from Ohio, which has lost more than 200,000 jobs over the past four years. Ohio also ranks among the top five states in unemployment and the lack of new job creation.

### **Huge Job Losses**

By all accounts, the President and the Republican Congress promised 1.5 million new jobs by November 2004. Their effort is very much off course. More than 3 million private sector jobs have been lost since January 2001, the worst job creation record since President Herbert Hoover. Manufacturing, particularly in the electronic sector, is in a prolonged free fall. It represents one of the largest groups of unemployed. Not long ago, it was looked upon as being highly secure. Would I urge my son or daughter to pursue a career in electronic engineering – NOT ON A BET! ODM is being outsourced as well. At the rate our country is going, next year's Labor Day will hardly be a celebration. We can hail the achievements of America's men and women, but the real celebration will be taking place in the streets of Shenzhen, Beijing, Bombay and Calcutta. Typically that would equate to 10 to 12 jobs created in Communist China and India for each jobless US worker.

### **Employment**

If you think job creation has kicked in – think again. According to Ed Sperling, Editor-in-Chief of Electronic News, the U.S. government is touting the fact that new jobs are rolling in every month, but he states that job creation may never again reach the levels we previously enjoyed. Productivity is up and costs are down, meaning everyone is doing the work previously done

by two or three people. That means Americans are working harder, but have more secure positions – we hope. We've had enough Washington spin and double talk and now is the time to apply the brakes and hold on to what we have – PLEASE.

### **Millions Exhaust Benefits**

Do you remember our President declaring "mission accomplished" when referring to the unprovoked war we declared on Iraq? Well, he's the same guy who declared "the recession has ended". Where – in China or India? Tell that to your unemployed friend, neighbor or family member. What's over is their unemployment benefits. We need to save the day – Where is Mighty Mouse when we need him?

### **Losing Pensions**

Screwing pensioners appears to be the economic flavor of the day. Troubled corporations like UAL got away with it. Who is next in line? The Treasury Department is allowing conversion of existing pension plans to cash-balance accounts that could cost millions to older employees, because it is estimated that their pensions may be reduced by as much as 50%.

### **Health Care Benefits**

The current Administration supports legislation to reduce health care benefits for 8 million workers by exempting health plans from state regulation and allowing the state to drop coverage on such items as mammograms. Health care costs continue to spiral out of control, as well as the associated insurance premiums. Short of socialized medicine, do you see any relief in sight? Let us not forget the expense of Eldercare – it's huge business.

### **Embracing Big Business**

Aside from leaving our Mexican borders open to illegal immigrants, it is reported that our President refuses to support proposals to increase the minimum wage. Why? Doesn't he realize that it will soon be at its lowest real value in 50 years?

### **Budget Cutting**

Are you aware that the President's budget requests would cut funding for adult (re)training, summer jobs and re-employment for dislocated workers? Is this administration diverting precious

funds to fight a war in a country that, for the most part, wants us out?

### **Sensible Spending**

How about using the hundreds of billions being spent on the Iraq war to automate American industry? Isn't it obvious that the only way to compete with China and other low labor rate countries is to mechanize our industry with state-of-the-art robotics? Hello out there – Is anyone listening? Am I making any sense? Do you give a fat rat's ass?

### **Think About It**

Isn't it obvious that President Bush's economic policies are bad for small business? I venture to say that takes in 98% of the EDT readership. Distributors are going the way of the corner grocery store and reps are dropping like flies. Yes, I'm the first to acknowledge that reps and distributors will always be around, but they won't look the same. The shift is on. Global distributors continue to eat the independents and regionals. Mega reps are sucking up the mega lines, who are paying the lower commission rates. If you haven't figured it out yet, it's all about "an economy of scale". You pay the light bills with dollars, not with percentage points. However, it is a proven fact that neither discount stores or discount rate reps survive the test of time.

### **Food For Thought**

What a troubling and turbulent time we are living in. I like to feel that I am a realist and, that being said, I fear that our great country is spending billions on a war that we can't win. And, when we leave Iraq, the pure chaos and bloodshed will continue. I don't buy into the notion that insurgents will come to our shores for a 9-11 *deja vu*. They're here! They live here! Remember, these are the same Muslim extremists who attempted to blow up the World Trade Center in 1993. If unsophisticated and unsupervised Mexicans can easily cross our borders, what makes you think that well organized groups of hate-mongers and death squads can't do the same?

That being said, you probably concluded that I believe the U.S. is losing an undermanned, "can't win," war – and you're perfectly right!

Now, how about the other war that may haunt us for centuries – surely decades? Does anyone in their right mind

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think that America is winning the “Dragon vs Eagle” economic war? If you do, wake up! Look at the horrendous imbalance of trade and the budget deficit. Neither has ever been worse.

If you think I’m way off base, sorry. If you agree with me, please speak up. Passivity will get us and our country nowhere. I love America and our industries. The trend concerns me. How about you?

### **Some Reps Are Venting**

Rumor has it that a prominent and unnamed manufacturer has asked their reps for information that many of them consider proprietary. Questions like “what was your total 2004 revenue, projected 2005 revenue, number of lines, top 3 lines and their revenue, ranking of their line, compensation program, succession plan, etc.” have upset some reps. These reps claim that this is confidential information that has nothing to do with evaluating performance. They are also guarded in not disclosing the name of the principal in fear of retribution.

### **Summary**

Let’s urge our politicians to consider one of Einstein’s observations: “The significant problems we face cannot be solved at the same level of thinking we were at when we created them.” What is now required is an intelligent policy of fair, balanced, and mutually beneficial trade to overcome our trade deficits. Economic markets, whether domestic or international, reward bold and innovative thinking. We’ve learned that those same markets only punish those who believe that faith in markets is all that’s needed to ensure success. Now that’s what I call perfectly clear thinking. ■