



It's time to evolve

*In order to survive, distribution must evolve and converging technologies are providing the stimulus for that change. By **Steve Carr**.*

Distribution is no different to any other competitive animal; to survive, it must adapt and evolve. Yesterday's cutting edge differentiators – technical support and value added services – are no longer meeting the complex needs of today's technological landscape. It is time for a new breed of distributor.

Of course, distribution has already evolved. Once, it was simply a point of sale function. Then it extended its reach into the front end of the procurement process and provided technical support to engineers at the design stage so that it could influence the products that appeared on buyers' requisition lists.

As technical support became less of a differentiator, distribution moved into back end fulfillment. It offered value added logistics services – such as just in time delivery, ship to line and automated replenishment – which extended

distribution's reach into production.

Now other factors are at work – heavily resourced technical distributors are being squeezed by global broadliners, whose business model allows them to use single figure margins to buy short term market share. However, whilst the economic downturn is certainly a threat, it also provides the opportunity for distribution to move up to the next step on the evolutionary ladder and to find a new cutting edge differentiator which meets customers' evolving needs.

As customers fight for survival, they are looking for new revenue streams to secure the future of their business. This new breed of distributor must, therefore, not only work with the buyers, designers and production managers on the next generation products, they must also work with visionaries at every level of their customers' business to suggest new revenue streams which go beyond the

next generation of products.

Smart services, delivered via wired or wireless infrastructures, will provide the impetus for these new revenue streams.

Connectivity is poised to replace the mobile phone as the next 'killer app'. It will be the key that opens the new markets and new services which will deliver these new revenue streams. Key areas for growth will be the healthcare, industrial, intelligent buildings and M2M infrastructure. Transportation is already benefitting from new investment, whilst the integration of WiFi, video monitoring and security will be driven by projects such as the Olympics. Sensors will also play a big part, together with advanced levels of data collection, data collation and data streaming.

To exploit this potential, customers will need to work with a distributor who can do more than provide conventional technical support – they will need a



distributor who is a technology integrator.

The foundations for this transformation have already been laid at ACAL, which is moving beyond technical distribution. By providing its customers with insights into future technologies and by integrating these technologies into modular assemblies, ACAL can deliver the building blocks which allow customers to tap into new revenue streams.

But, to be effective, these technology insights must go further than the next new product from ACAL's franchised partners. They must be based on the

encoder, WiFi and a gsm module. At the same time, other Directives are imposing their own imperatives of reducing battery consumption and increasing data storage on the same systems.

While integrating different technologies is within the capability of conventional technical support, technology integrators will be differentiated by their ability to deliver 'over the horizon' technologies in a complete sub assembly. These assemblies could combine software such as open AT, over the air software upgrades, air time agreements and future proofing for bios

limitations that existing products impose. It is essential for the technology integrator to understand the architects' creative roadmap and to align this to the horizon technologies which can help to bring the creative wish list into real world buildings. Technology integrators also needs to hold the same dialogue with the contractors who install intelligent building systems and the OEMs who design them.

This top down approach needs new methods of communication and ACAL is using media such as Twitter, YouTube and LinkedIn to broaden its dialogue with the world beyond the electronics industry. The insights gained here can be as valuable as discovering the next wave of technologies.

Technology integration will not a quick process: there is a high level of up front investment and engagement can typically extend from 9 to 18 months. However, this is not next generation design – although the specialist skills exist to help customers achieve that. This is the next step on distribution's evolutionary ladder: the technology integrator who not only delivers technical expertise, but also the commercial acumen and design ready assemblies which can help customers to create future revenue streams.



"The downturn ... provides the opportunity for distribution to move up to the next step." Steve Carr, ACAL Technology

work of engineers whose role is to assess the limitations of existing products and to evaluate the viability of emerging technologies, before evangelising their benefits to customers and delivering them as a complete module.

Take for example, the combination of wireless modules and video streaming. Future applications for this could include black boxes in cars, integrating WiFi with a cmos camera module and an fpga to multiplex to a 32bit microcontroller. The black boxes could stream videos of the driver's view, or the interior of the car, to form the basis of a discount structure for motorists and added protection for insurance companies against fraud.

Video streaming could also overcome the current limitations of domestic alarm systems. Future generations of alarms could stream video of the interior of the home directly to the home owner's mobile phone. This would allow them to personally alert the authorities and remove the complacency generated by false triggers.

Another application which should drive new revenue streams is metering. Underpinned by a European Directive to reduce energy waste, wireless enabled meters will need to integrate a rotary

and processor changes, in addition to regulatory compliance and enabling services such as fibre optic assembly and programming.

To go beyond conventional technical support, the technical integrator must also go beyond the conventional design dynamic and actively participate in a wider dialogue with their customers' customers.

In the intelligent building sector, for example, the technology integrator must talk to architects to understand the

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Table 1: The evolution of electronic component distributors

| | Stage 1 Point of sale | Stage 2 Technical support | Stage 3 Value added logistics | Stage 4 Technology integrator |
|------------------------------------|--------------------------|---|---|---|
| Role in customers' business | Fulfilment | Support; fulfilment | Supply chain management; support; fulfilment | Strategy; long term product planning; supply chain management; support, fulfilment |
| Services | Order fulfilment | Technical support; order fulfilment | Supply chain technical support order fulfilment | Technology insights; advice on product roadmap; supply chain; technical support; order fulfilment |
| Contacts | Purchasing | Design engineers; purchasing | Design engineers; purchasing | Executive management; visionaries; design engineers; purchasing |
| Technology | Existing products | Existing solutions; existing products | Existing solutions; existing products | Future solutions; existing solutions; existing products |
| Products | Existing point products | Existing solutions from franchise line up | Existing solutions from franchise line up | Complete solutions using best in class vendors; modular assemblies, often developed in house |