Manufacturer Design Registration Study

Survey Results from Manufacturers, Manufacturer Reps and Distributors

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Abbreviations used:
D-Reg = Design Registration
M-Rep = Manufacturer Representative
OPP = Opportunity
KPI = Key Performance Indicator
POS = Point of Sale
POP = Point of Purchase
ROI = Return on Investment
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Importance & Definition
1 - How important is the design registration program to your company's business?

- **D-Reg** is most important to Distributors, next most important to Manufacturers and average importance to M-Reps.

- Most M-Reps make same commission whether product is registered or not, but registered product requires more work and cost Vs. multiple points of value for Distributors.

- Drive-by registrations are a problem for M-Reps.

- MFR has option to take direct.

Global Industry Practices Committee (GIPC)

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Industry Definition:

Manufacturer, Distributor and Manufacturer Representative:
Design Registration is a program to encourage, reward, and support engineering in product design and demand creation activity from Authorized Distributors and guarantee revenue capture wherever the order is fulfilled. It also delivers share of mind for manufacturers with their channel partners while assuring investments made by the Distributor both domestic and global.

Manufacturers, M-Reps and Distributors aligned with industry definition.
3 - How important are these design registration benefits to your company?

**Weighted Average**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>MFR</th>
<th>REP</th>
<th>DIS</th>
<th>3AV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides an incentive to distributors and reps to drive demand creation and win new business</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>Enables production order wins at an acceptable margin</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Recognizes a Design Win and establishes a contractual relationship for a specific customer and end customer – controlled by the registration number – upon approval by...</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>Assigns a design registration number using an online tool based on a design registration form such as the NEDA/ECIA form</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Enables transfer of build logic to a CM/EMS</td>
<td>80%</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Provides a tool to create channel focus on our most important parts and enables market shares gains</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Provides a database to understand the design activities of specific product families for any customer category and its application and segment</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Provides a database to project the design win revenue (new business) forecast of a future period for anchor products and promotable products etc.</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Generates/maintains a database of part lists and registration numbers</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

- The first benefit is most important to the Manufacturer.
- The second benefit is clearly the most important to Distributors.
- The third benefit is most important to the M-Rep.
4 - How important are these design registration benefits for distributors & reps?

Manufacturer and Distributor closely aligned on program benefits.
## Executive Summary

### Importance and Definition

**Manufacturer**
- D-Reg program is **STRONG-CRITICAL** to the Manufacturer.
- Support is most important to field sales.
- Aligned with industry definition.

**Manufacturer Rep**
- D-Reg program is **AVERAGE-STRONG** to the M-Rep.
- If a D-Reg is truly driving behavior and resulting in success it would be the same importance to everyone. M-Reps are compensated based on orders, not just registrations.
- M-rep makes same commission percentage regardless of margin.
- Some Manufacturers pay on POS and others pay on POP.
- Problem for M-reps are increasing distributor drive-by registrations.
- Aligned with industry definition.

**Distributor**
- D-Reg program is **CRITICAL-STRONG** to the Distributor.
- Need better partnerships between M-Reps and Distributors.
- M-Rep incurs more cost for design registration with no additional margin.
- Aligned with industry definition but add “guarantee revenue capture wherever the business is fulfilled” and include global.
Process & Management
5 - Which of these descriptions define the types of products that should be included in a design registration program?

<table>
<thead>
<tr>
<th>Description</th>
<th>MFR</th>
<th>REP</th>
<th>DIS</th>
<th>SAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products that require significant design and technical support / Higher complexity products not common to design engineers</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Sole-sourced products, proprietary products, and limited competition type products</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Parts with a global pricing structure and enough profitability to provide a reward and attractive margin to the distributor...</td>
<td>100%</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
</tr>
<tr>
<td>Anchor products/solutions - strategically important</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Key revenue driver products</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>All new-to-market products (NPI) products</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Products targeted for specific end-markets or applications</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Products targeting global technology megatrends</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Readily available and promotable products</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Every part the manufacturer sells. All parts included, except commodity parts.</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Differences between MFR, M-Rep, Distributor on what products should be included.

This is an area of opportunity to develop an industry guideline.
6. Which of these descriptions define the types of products that should be excluded from a design registration program?

- EOL / Products planned for obsolescence and older versions of products
- Commodity products
- Any product that is not subject to a global standard pricing scheme and/or that does not afford a unique price advantage...
- Value-based products with very competitive book prices
- Multi-sourced products
- Products under a pre-determined cost threshold
- Products common to design engineers with low complexity
- Legacy products
- Products with Non-Cancelable/Non-Returnable (NCNR) liability

MFR, M-Rep, Distributor agree on what products should be excluded.

This is an area of opportunity to develop an industry guideline.
7 – Organize these elements in the order they are implemented in your organization's approval process for design registrations - Definitions

<table>
<thead>
<tr>
<th>Stages</th>
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</thead>
<tbody>
<tr>
<td>A</td>
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<tr>
<td>B</td>
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<tr>
<td>C</td>
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<tr>
<td>D</td>
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<td>J</td>
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<td>K</td>
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<tr>
<td>L</td>
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<tr>
<td>M</td>
</tr>
</tbody>
</table>

***This exercise displayed no standardization in the approval process flow for design registrations between Manufacturers, M-Reps and Distributors. This is an area of opportunity to develop an industry guideline.
9 - Which of the following describes who approves design registrations at your company?

<table>
<thead>
<tr>
<th>Description</th>
<th>MFR</th>
<th>REP</th>
<th>DIS</th>
<th>3AV</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-rep approves, then the manufacturer issues DR# and cost to the distributor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The manufacturer solicits the M-rep for validation of DR request, then the manufacturer will issue DR# and cost to distributor</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The supplier affiliate at the M-rep does the research and coordination between the manufacturer and distributor</td>
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</tr>
<tr>
<td>The direct salesperson at the manufacturer is responsible for supporting distributors at territory/local level approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The manufacturer approves, no M-rep involvement, the manufacturer issues DR# and cost to distributor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the part series is not currently included in the design registration program, a discussion between the Product Manager and Sales occurs. If approved, the product series is... Requests for unassigned accounts and EMS/ODM/IDH are reviewed and approved through a centralized team and/or by the Distribution Business Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the part is already included in the design registration program and it is a focus account there is a two-step process for approval beginning with sales and ending with a pricing...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

M-Rep plays an important role in the D-Reg approval process.
MFR and M-Rep utilize a 2-level process to finalize registrations, while the Distributor uses a 3-level process.
11 - What do you expect from your distributors before approving a registration?

MFR and M-Rep align with these expectations from Distributors.
## Executive Summary

### Process and Management

<table>
<thead>
<tr>
<th>Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPORTANT</strong> issue is what products should be <strong>included and excluded</strong> from D-Reg programs. Can vary by technology and manufacturer.</td>
</tr>
<tr>
<td>What is important to the Manufacturer is not always aligned with Distributors.</td>
</tr>
<tr>
<td>Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.</td>
</tr>
<tr>
<td>Concerns that Distributors don’t care as much about key revenue drivers and technology products as Manufacturers.</td>
</tr>
<tr>
<td>Lack of uniformity and normalization in the D-Reg process.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manufacturer Rep</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPORTANT</strong> issue is what products should be <strong>included and excluded</strong> from D-Reg programs. Can vary by technology and manufacturer.</td>
</tr>
<tr>
<td>We agree on what’s expected from Distributors for D-Reg approval and when followed, the process works. When the expected information is not provided, the process breaks down.</td>
</tr>
<tr>
<td>Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Distributor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPORTANT</strong> issue is what products should be <strong>included and excluded</strong> from D-Reg programs. Can vary by technology and manufacturer.</td>
</tr>
<tr>
<td>Manufacturers desire to align business units with markets; it’s hard for a Distributor to drive markets that way.</td>
</tr>
<tr>
<td>Structure at the Manufacturer and whether they have a M-Rep drives differences.</td>
</tr>
<tr>
<td>Distributors need to adjust to MANY different processes which creates challenges and complexity.</td>
</tr>
<tr>
<td>Process flow for D-Reg approvals between Manufacturers, M-Reps and Distributors has many inconsistencies.</td>
</tr>
</tbody>
</table>
Issues of Concern
Distributors look at a DR approval as the end of the process. Manufacturers and M-Reps look at an approved DR as the beginning of the process.

Compensation drives behavior. If the Distributor compensates sales on # of DRs submitted or signed off...this drives “Drive By” DRs.

This question was only asked of MFRs and should have been asked of M-Rep and Distr. This is extremely important to M-Reps.

Tracking through POS on the end-to-end D-Reg is most important.

Distributors more concerned with systemic errors during business transfers.

Manufacturers and M-Reps see the need for accurate information on customers/markets and regular updates. This is a challenge for Distributors because they support so many Manufacturers.
14 - Level of concern related to Building and Maintaining Relationships of Trust with distributors in your design registration program.

**Weighted Average**

- Distributor involvement...did they actually do the design work? (i.e. – drive by’s) if DR program is only used to obtain better pricing for finding a part already on a BOM or AVL.
- Distributor does the work but proposes multiple solutions for the same socket which is antithetical to the spirit of the registration program.
- Ongoing alignment of manufacturer and distributor’s pipelines.
- No safeguards against manufacturer taking business direct when it reaches a certain size.
- Distributors gaming the system - Need for approvers to be more diligent in distributor registering multiple projects for same customer/part number.
- Low level of conversion, and the low level of attainment vs. the initial quantity submitted.
- Who gets the credit? Manufacturer rep, direct sales, distributor FSR?

Distributor involvement...did they actually do the design work? Trust issue with Manufacturer and M-Rep.

Distributors want more support against Manufacturer taking business direct. More issues with transfers out of territory.
15 - Level of concern related to Optimizing the Benefits of working with distribution partners in your design registration program.

Manufacturer and Distributor seem aligned on ROI to justify time, effort and investment.

All 3 seem aligned on price discounts to grow margin and incentivize sales.
Level of concern related to Managing Diversity in customers, regions, distribution partners, etc. in your design registration program.

Lack of standardization with Manufacturer D-Reg programs creates significant challenges for Distributors: Global Programs Different Rules Splitting Designs, etc..

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What tools does your company use to internally maintain and receive updates from distributors for submitted design registrations?

<table>
<thead>
<tr>
<th>Tool Description</th>
<th>MFR</th>
<th>REP</th>
<th>DIS</th>
<th>3AV</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-mail</td>
<td></td>
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</tr>
<tr>
<td>ModeM portal / ModeM GUI - Submission and tracking of design opportunities/registrations to maintain registration data</td>
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</tr>
<tr>
<td>Salesforce Partner Portal - measure and report on submissions, conversions and attainment</td>
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<tr>
<td>Through ongoing field and branch-level alignment conversations and pipeline reviews with distributors</td>
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<tr>
<td>Sales Portal</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Excel reports and spreadsheets to show pipeline &quot;defects&quot; and POS attainment levels</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Internally developed platforms and portals, corporate pricing team quote and process management, communication tool with...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturer defined EDI spec, file exchange protocols</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>SAP - measure and report on submissions, conversions and attainment</td>
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</tr>
<tr>
<td>Through corporate-level pipeline alignment efforts, e.g. comparing large files that have been exported from our respective opportunity...</td>
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<tr>
<td>RosettaNet, RosettaNet 5C4 PIP</td>
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<tr>
<td>Oracle - measure and report on submissions, conversions and attainment</td>
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<tr>
<td>Other third-party tools such as business analytic systems (QlikView/Tableau) to analyze data</td>
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<tr>
<td>Microsoft Dynamics</td>
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<td></td>
</tr>
<tr>
<td>Supplyframe - measure and report on submissions, conversions and attainment</td>
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</tr>
</tbody>
</table>

Area of opportunity to research technology for ways to improve and modernize communication between channel partners.
18 - How important are each of the following activities in your company's process to internally maintain previously submitted design registrations?

Area of opportunity to research technology for ways to improve and modernize communication between channel partners.
19 - Average predetermined time for allowing renewable registrations.

Distributors work on a 12-month DR renewal cycle.

The life-cycle for a DR with a Manufacturer is 24-months.
Distributors see multiple strengths in their process and tools used to meet the challenges of dealing with hundreds of Manufacturer design registration programs.

<table>
<thead>
<tr>
<th>Strength</th>
<th>MFR</th>
<th>REP</th>
<th>DIS</th>
<th>SAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routing to local sales resource for initial approval based on end customer information</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking NDR submission against historical customer POS data</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Understanding of the process and who needs to be copied for approvals or rejections</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Qualifying registrations</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Quote/debit linkage</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Confirmation is provided to distributor within fixed period</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opportunity flows into Salesforce or similar tool for ongoing management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uniform, fluid process and expectations are clear for all individuals involved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registration management - data accuracy &amp; quality of data; Regularity of the update</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision tree to route for secondary and third-level approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum requirements for new customer set up</td>
<td></td>
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</tr>
</tbody>
</table>
20 - Strengths in your company’s design registration process.
Executive Summary

• Issues and Concerns

**Manufacturer**

- Tracking through POS on the end-to-end D-Reg is **most important**.
- Distributor can look at a D-Reg approval as the end of the process. While Manufacturers and M-Reps look at an approved D-Reg as the beginning of the process.
- Distributor involvement…did they actually do the design work? Trust issue with Manufacturer and M-Rep.
- Manufacturer and Distributor seem aligned on the **need** for ROI to justify time, effort and investment.

**Manufacturer Rep**

- Tracking through POS on the end-to-end D-Reg is **most important**.
- Distributors can look at a D-Reg approval as the end of the process. While Manufacturers and M-Reps look at an approved D-Reg as the beginning of the process.
- Compensation drives behavior. If the Distributor compensates sales on # of D-Reg’s submitted or signed off…this drives “Drive By” D-Reg’s.
- Distributor involvement…Did they actually do the design work? Trust issue with Manufacturer and M-Rep.

**Distributor**

- Tracking through POS on the end-to-end D-Reg is **most important**.
- Distributors more concerned with systemic errors during business transfers.
- Manufacturers and M-Reps see the need for accurate information on customers/markets and regular updates. This is a challenge for Distributors because they support so many Manufacturers.
- Distributors want more support against Manufacturer taking business direct. See more issues with transfers out of territory.
- Manufacturer and Distributor seem aligned on the **need** for ROI to justify time, effort and investment.
- Lack of normalization with Manufacturer D-Reg programs creates significant challenges for Distributors:
  - Global Programs
  - Different Rules
  - Splitting Designs, etc.
Forms & Communication
21 - What design registration forms does your company use?

NEDA/ECIA form has been widely accepted in the industry and used by many to design their own forms.

Area of opportunity for standardization between channel partners.
The importance of each type of information in your design registration form.

Area of opportunity to standardize form content further within the industry.
Aside from design registration submittal, importance of methods / processes for communicating design efforts with the distributor and rep.

Face-to-face, live-local communication key driver to success…
## Executive Summary

### Forms and Communications

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Manufacturer Rep</th>
<th>Distributor</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Communication &amp; *Tools – area of opportunity to research technology for ways to improve and modernize communication between channel partners.</td>
<td>*Communication &amp; *Tools – area of opportunity to research technology for ways to improve and modernize communication between channel partners.</td>
<td>*Communication &amp; *Tools – area of opportunity to research technology for ways to improve and modernize communication between channel partners.</td>
</tr>
<tr>
<td>NEDA/ECIA form has been widely accepted in the industry and used by many to design their own forms.</td>
<td>NEDA/ECIA form has been widely accepted in the industry and used by many to design their own forms.</td>
<td>NEDA/ECIA form has been widely accepted in the industry and used by many to design their own forms.</td>
</tr>
<tr>
<td>Area of opportunity to standardize form and content further within the industry</td>
<td>Area of opportunity to standardize form and content further within the industry</td>
<td>Area of opportunity to standardize form and content further within the industry</td>
</tr>
<tr>
<td>All agree that face-to-face, live-local communication key driver to program success…</td>
<td>All agree that face-to-face, live-local communication key driver to program success…</td>
<td>All agree that face-to-face, live-local communication key driver to program success…</td>
</tr>
</tbody>
</table>

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Policies
Manufacturers see a disconnect with Distributors on pricing and/or margin guarantees for a specific period and terms and conditions.
25 - Level of concern where your design registration policies may break down.

21 different concerns identified where policies may break down…
Executive Summary

• Policies

Manufacturer
• There are 21 different concerns identified where policies may break down…This is a red-flag area where a deeper dive is warranted. (see slide #34 of Current State Assessment)
• Manufacturers see a disconnect with Distributors on pricing and/or margin guarantees for a specific period and terms and conditions.

Manufacturer Rep
• There are 21 different concerns identified where policies may break down…This is a red-flag area where a deeper dive is warranted.

Distributor
• There are 21 different concerns identified where policies may break down…This is a red-flag area where a deeper dive is warranted.
• Policies can break down when business moves between regions and being able to link the D-Reg.

Some examples from slide #34 of Current State Assessment:
• Accuracy and quality of data to manage and maintain registrations
• Challenges when business is shared between U.S., Europe and Asia
  • Distributors doing drive by registrations
• Diverse forms and processes create difficulty for sales personnel to remember each manufacturers policies
• Database management – registration on POS matches registration on debit claim, different variations of part number uses
Metrics
Importance of each metric / KPI in the design registration program management.

**Good alignment**

### Weighted Average

<table>
<thead>
<tr>
<th>Metric</th>
<th>MFR</th>
<th>REP</th>
<th>DIS</th>
<th>3AV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity Pipeline (# and $)</td>
<td></td>
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<tr>
<td>Registration Count by Each Distributor: Revenue generated by each distributor attributed to the D-reg</td>
<td></td>
<td></td>
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<tr>
<td>New Registrations</td>
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<td></td>
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<tr>
<td>Demand Creation Market Share</td>
<td></td>
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<tr>
<td>Margin %</td>
<td></td>
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</tr>
<tr>
<td>Registration Count by Each Distributor: Count by Geography</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Design Wins, Production Wins Above Certain $ Amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Win Rate (win $ / quotation $)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>POS Attainment (POS $ vs. Quotation $) (In region, generated in region but shipped out of region)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Customer Count</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various registration trends &amp; comparisons - Growth, Activity by distributor / product family</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

### 6 Key Metrics for Manufacturers above 70%

### 5 Key Metrics for M-Reps at 70% or just below

### 10 Key Metrics for Distributors above 70%
27 - How important are the following to your definition of design registration program success?

<table>
<thead>
<tr>
<th>Weighted Average</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program rewards to support the distributors’ work</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Revenue growth linked to distributor design efforts, reward for performance</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Maintenance of healthy resales and margins for our participating partners</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Adherence by all parties to design registration program requirements</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>POS Attainment (Registration Count and Revenue)</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Sales achieving design registration goals</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Customer expansion and portfolio reach expansion linked to distributor design efforts</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Continued expansion of push on focus products</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Growth in number of registrations within each distributor</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Being able to achieve the volume guarantees established with the initial acceptance/creation of any and all registrations</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
<tr>
<td>Opportunity Hit Rate / Conversion / Size</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
<td>3AV</td>
<td>MFR</td>
<td>REP</td>
<td>DIS</td>
</tr>
</tbody>
</table>

4 Key Success Factors for Distributors above 80%

Good alignment
Do you measure conversion rate?

Why is conversion rate more important to Distributors than Manufacturers and M-Reps???
Conversion rate appears more important to M-Reps and Distributors.
Average cycle time (time from submittal to final approval) for a design registration.

Manufacturers and M-reps aligned on average DR cycle time, but distributors have additional time on the front and back end of the process.

Another place where distributors are dealing with 100’s of different programs.
### Executive Summary

- **Metrics**

  **Manufacturer**
  - Registration count by each Distributor and their revenue generated from the registration is most important along with various registration trends and comparisons.
  - Recognized paths to program success: 1. program rewards to support the Distributors work 2. revenue growth linked to efforts 3. adherence by all to program requirements 4. customer expansion linked to DR efforts.

  **Manufacturer Rep**
  - New registrations and win rate by both #’s and $’s most important to M-reps.
  - Recognized paths to program success: 1. program rewards to support the Distributors work 2. revenue growth linked to efforts 3. adherence by all to program requirements 4. customer expansion linked to DR efforts.
  - Conversion rate important to M-Reps and Distributors, but standard metric definition is needed.

  **Distributor**
  - Distributor’s have multiple (10+) important metrics used both internal and external with Manufacturers and M-Reps.
  - Standardization with Manufacturer metrics and definitions would simplify the process for distributors.
  - Recognized paths to program success: 1. program rewards to support the Distributors work 2. revenue growth linked to efforts 3. adherence by all to program requirements 4. customer expansion linked to DR efforts.
  - Conversion rate important to M-Reps and Distributors, but standard metric definition is needed.
Accountability
Importance of these methods in your company's efforts to measure and manage accountability - internally, within your company.

DR program tracking for the distributors is very important.

Regional and global business reviews are important to both manufacturers and distributors.
34 - Key differences within design registration program between North America, Europe and Asia.

**DISTRIBUTOR**

- MFR ability to truly support the design registration when it moves to a different region.
- Lack of supplier Ship & Debit in certain regions.
- Submittal processes and forms can be different by region.
- Level of support and subsequent margin can differ by region. Even the customers a distributor is allowed to work with can differ.
- Key differences between regions reside in the approval process because programs have subjectivity.
- Europe and Asia have more localized distributors and question of 'owning certain accounts' comes up often. Local teams often bump into those which may be rep/resellers with conflicts of interest. Important to design in early, register and work closely with manufacturer to show we are doing the work.
- It's more than the design registration program that drives behaviors...comes down to global sales management or product management at supplier and how they get rewarded within their own regions.
- Another issue is ODM designs in Asia...when designed in the US...sometimes ODM entity has the ability to do 'design work' and local channels try to claim credit.
36 - How you utilize your design registration program to track business out of market, including globally

**DISTRIBUTOR**

- Dedicated Global Business Migration Team and/or teams in each region.
- Everything gravitates around the registration and project details in our CRM.
  - Global pricing
  - Access to resales established for receiving region
  - All parts on BOM, forecasts volumes, etc.
  - Single device identifier to see information is the registration number
  - Critical to all cross-region communications
- One global system we share information across teams…tools and internal communication enable us to work together regardless of region. This also helps communication externally with manufacturer and m-rep so for awareness of work being done that will transfer in or out of region.
Do you receive the expected design registration program benefits when business moves between markets and/or geographies?

If “No”, Why?

**DISTRIBUTOR**
- Frequently granted margins are lower in Asia
- Primarily manufacturers do not have consistent program rules across geographies and struggle to provide support particularly when business moves to EMS in other geographies (especially Asia).
- The answer is yes when manufacturer in receiving region recognizes the transfer. The **challenge is** getting manufacturers to recognize and not entertain regional competition gamesmanship with local registrations for ODM, CM, etc..

**MANUFACTURER REP**
- As a manufacturer rep, if it is not in the local POS we do not always get compensated.
- Split forms have to be in place.
- We receive the benefit if it’s properly identified up front. Often our NBO split commission request gives us the desired credit.
- Some manufacturers do this well. But across the board, it is not consistent
Moving business between markets and geographies is a KEY CONCERN and CHALLENGE for Distributors, M-Reps and Manufacturers.
Executive Summary

• Accountability

Manufacturer

• Regional and global business reviews are key to the Manufacturer for tracking.
• Primarily Manufacturers do not have consistent program rules across geographies.

Manufacturer Rep

• As a M-Rep, we can lose program benefits if it is not in the local POS and do not always get compensated.
• We receive the benefit if it’s properly identified up front. Often our NBO split commission request gives us the desired credit.

Distributor

• Due to both internal importance and complexity when dealing with 100’s of Manufacturer programs…“tracking” performance internally and externally is priority #1.
• Multiple challenges with D-Reg programs between NA, EMEA, ASIA. (see slide #45 of Current State Assessment)
• Dedicated global business migration team and/or regional teams are essential and a “best practice” today.
• One global system to share information across teams…tools and internal communication.

Global Industry Practices Committee (GIPC)

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Assessment of Effectiveness & Challenges
Manufacturers recognize Distributor programs as mostly effective.

For semiconductors, Distributors and M-Reps see Manufacturer programs as mostly effective.

For IP&E Manufacturers there is a real gap between M-Reps and Distributors.
Importance of these factors in determining why you consider a design registration program to be effective?

5 Key Factors for Manufacturers

- More important to Manufacturers and M-Reps than Distributors
- 6 Key Factors for Manufacturers
- 5 Key Factors for M-Reps
- 5 Key Factors for Distributors

Global Industry Practices Committee (GIPC)

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47 - Importance of these factors in determining why you consider a design registration program to **NOT** be effective?

**5 Key Factors for Distributors**

- **DESIGN PROCESS AND CYCLES:** No response from counterparts in different regions that supports...
- **FOCUS AND EXPERTISE:** Distributors with large line cards have a harder time focusing - need to be sure...
- **CONVERSION RATES, PRICING AND MARGINS:** Conversion rate of registered designs is well below...
- **MULTIPLE DR REQUESTS, OUT-OF-REGION ISSUES, CMs:** Achieving approval for GDR by someone out of...
- **MULTIPLE DR REQUESTS, OUT-OF-REGION ISSUES, CMs:** Multiple Distributors requesting DR for same...

**5 Key Factors for M-Reps**

- **DESIGN PROCESS AND CYCLES:** Design cycles are long, so distributor needs the financial cushion to invest in...
- **FOCUS AND EXPERTISE:** Current network is too large - harder to drive each distributor
- **DESIGN PROCESS AND CYCLES:** Specific parts only protected in the program and not their entire...
- **FOCUS AND EXPERTISE:** Programs with high complexity and poor response times
- **FOCUS AND EXPERTISE:** Need FAEs with vertical market focus - cannot be expert across all products

**5 Key Factors for Manufacturers**

- **PRODUCT PORTFOLIO:** Manufacturers that provide a registerable portfolio that is too limited
- **PRODUCT PORTFOLIO:** Manufacturers who have commodity products in the program
- **PRODUCT PORTFOLIO:** Manufacturers that flag their entire portfolio as registrable
- **MULTIPLE DR REQUESTS, OUT-OF-REGION ISSUES, CMs:** Early quoting by CMs sometimes undercut...
- **MULTIPLE DR REQUESTS, OUT-OF-REGION ISSUES, CMs:** Not a global program, regional differences...

**1 Key Factors for Manufacturers**

- **CONVERSION RATES, PRICING AND MARGINS:** Concern that some distributors use Special Price programs to...
- **CONVERSION RATES, PRICING AND MARGINS:** Minimum quantity and/or $ amount is not realistic
- **MULTIPLE DR REQUESTS, OUT-OF-REGION ISSUES, CMs:** Contract manufacturer is a direct customer and...
- **MULTIPLE DR REQUESTS, OUT-OF-REGION ISSUES, CMs:** When NA DRs do not support the distributors’...
- **CONVERSION RATES, PRICING AND MARGINS:** Market pricing below design registration program incentive

- **TRUST:** In some cases, distributors identify projects post design selection (freeze) and claim influence, ...
- **CONVERSION RATES, PRICING AND MARGINS:** Business lines not consistently providing margins

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**Global Industry Practices Committee (GIPC)**

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48 - What challenges do you face to maintain your design registration program daily?

**MANUFACTURER**

- Organizational bandwidth is limited and DR program is not high enough priority to assign more resources.
- Daily challenges with registration data quality and integrity…whether the data is up-to-date.
- Need for new technology…i.e. portal, CRM, common platform to allow better visibility/management of the data.
- With a large M-Rep community it's difficult to review status and request updates on a periodic basis.
- M-Reps are worried about their own long-term existence and legitimacy; so they are attempting to take all the credit from the distributors for any efforts.
- Local M-Rep managing & maintaining the program effectively within the channel in their territories.
- Establishing and maintaining KPIs that support, promote, and drive the design registration program.
- Lack of automated reporting for ease of review and timely data on effectiveness of our DR’s.
- ROI on the amount of work to maintain a DR program Vs the revenue it produces.
- Not updating the status of the program by the distributor. Very poor/ no follow up…
- Too many design registrations are for values less than $5K which then drives neglect.
- Aligning distributor pipeline data with our own pipeline is a challenge due to different systems, definitions and processes.
- Critical issue is commitment level of quantity to confirm a price Vs actual attainment of quantities. Too few registrations ever close to the quantity commitment…
What challenges do you face to maintain your manufacturer partner’s DR program daily?

**MANUFACTURER REP**

- Considerable inconsistencies in registration program implementations.
- Many distractions for constituents involved in the necessary data gathering which negatively affects turnaround.
- Too many make-work registration requests (drive-bye’s, phantom OPP, etc..) distract from true revenue generating activities.
- When sales channel is not within the region it is hard to trace the purchasing.
- GETTING FEEDBACK FROM THE CHANNEL on DR’s is the most difficult thing we face.
- Getting the DR Channel partner to hold inventory.
- Can’t get good feedback on how the OPP is progressing once it has been approved; until the time when the renewal comes up; then we get a DR extension request.
- Going online with many different systems to review the DR Vs. reviewing a form like ECIA/NEDA.
What challenges do you face to maintain your manufacturer partner’s DR program daily?

**DISTRIBUTOR**

- Difficulty to forecast the customer production ramp-up.
- Length of time between a registration being issued and a program moving to full production.
- Costs involved to maintain and administer 100’s of different DR programs.
- Too many variations and inconsistencies of data requirements.
- Not all involved parties understanding a supplier’s registration program rules and expectations.
- Electronic exchange protocol breakdown (non-communicated changes).
- Movement of programs among EMS providers and locations.
- Updates are very manual, not integrated with CRM tool or other automated capabilities.
- Convincing certain supplier’s regional RSMs to recognize design efforts elsewhere.
- Short expiration periods on DR when design cycles are longer.
Executive Summary

- Assessment of Effectiveness and Challenges

Manufacturer

- Factors to determine “effective” program:
  1. Recognizes design efforts and supports margin
  2. When trust is established and maintained
  3. Solid local relationships with MFR, M-Rep and Distributor
  4. Facilitates communication between seeder and harvester early in the design cycle
  5. Allows manufacturer to manage their pipeline.

- Factors to determine a program “not effective”:
  1. Poor conversion rates and low pricing/margins
  2. Manufacturer concerns spread fairly-equal over 22 different comments (see slide #53 in Current State Assessment).

- Challenges:
  1. Organizational bandwidth is limited and D-Reg program is not high enough priority to assign more resources.
  2. Daily challenges with registration data quality and integrity.
  3. M-Reps worried about their long-term existence/legitimacy.
  4. Establishing and maintaining KPIs that support, promote, and drive the D-Reg program.
  5. Lack of automated reporting for ease of review and timely data.

Manufacturer Rep

- IP&E Manufacturers, in general, have D-Reg programs as a defense mechanism to be competitive and don’t support Distributors as much as semiconductor Manufacturers.

- Factors to determine “effective” program:
  1. Recognizes design efforts and supports margin
  2. Trust is established and maintained
  3. Solid local relationships with Manufacturer, M-Rep and Distributor
  4. Facilitates communication between seeder and harvester early in the design cycle.

- Factors to determine a program “not effective”:
  1. Multiple D-Reg requests
  2. Out of region issues
  3. Trust/relationship issues.

- Challenges:
  1. Considerable inconsistencies in registration program implementations.
  2. Too many make-work registration requests (drive-by’s, phantom OPP, etc..)
  3. GETTING FEEDBACK FROM THE CHANNEL on D-Reg’s is the most difficult thing we face.
  4. Getting the D-Reg Channel partner to hold inventory.
  5. Can’t get good feedback on OPP once it has been approved; until renewal comes up; then we get a D-Reg extension request.

Distributor

- Perception is IP&E Manufacturers not offering support to the Distributor like semiconductor Manufacturers. (see slide #58)

- Factors to determine “effective” program:
  1. Recognizes design efforts and supports margin
  2. Allows global business transfer while safeguarding Distributor
  3. Ease of process; submission, approval, tracked through ship & debit, demonstrated infrastructure, documented process.

- Factors to determine a program “not effective”:
  1. Poor conversion rates and low pricing/margins
  2. No global program
  3. Out of region issues.

- Challenges:
  1. Costs involved to maintain and administer 100’s of different D-Reg programs.
  2. Not all parties understanding a supplier’s registration program rules and expectations.
  3. Movement of programs among EMS providers and locations.
  4. Convincing certain supplier’s regional RSMs to recognize design efforts elsewhere.
Executive Summary

- Assessment of Effectiveness and Challenges

**Distributor**

- Perception is IP&E Manufacturers not offering support to the Distributor like semiconductor Manufacturers.

**Additional inputs have been provided regarding the statement to the left:**

1) Not all IP&E MFRs include products within their programs that are truly “protectable” (i.e., commodity parts); This is especially true for Passives MFRs, less so in Interconnect and Electro-mechanical.

2) Significant challenges with global tracking because of IP&E MFRs P&L structures, cost modeling and types of parts included in the programs; We see different regional cost structures within MFRs and even different part numbering for the same part.

3) Many of the programs do not have “teeth” in them or the MFRs fail to enforce the programs; It is not so much the MFRs don’t want teeth in the program, but rather we see many cases of low protection levels (i.e., low margin <10%), column/volume pricing structures that interfere with protection, regional/global cost variances, lack of tracking and poor global visibility.

4) Many IP&E MFRs have very fragmented distribution channels and global pricing strategies which causes difficulty in providing true protection and margin for the distributor holding the D-REG.

5) I, P, and E product is a bit to broad, and each product category, and even within each commodity, present different challenges and/or reasons. I have spent my career discussing how “connectors are different”. Passives are different. Switches, Relays and sensors are different.

6) A much higher degree of customer specific / special pricing Vs. a somewhat narrow “market price” for a part number. This makes it much harder to provide a set / meaningful protection level for a D-REG.

7) A much higher degree in some products of direct quoting Vs. the channel – many times the direct resale is the channel cost. This is brought on by various factors including very high ASPs, customer specific designs (lack of channel inventory), limited opportunity to provide economy of scale / cost efficiency to the part number.

8) More cases where the manufacturer margins are lower than Semi suppliers (Semi MFR gross margins 50%+ and IP&E generally 20%+...a much more complicated BOM / fragmented supply chain for the supplier.

9) Way more part numbers / possible part number configurations / packaging types / part modifications – makes quoting / costing / conversion / tracking much more difficult.