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TOP 15

AMERICAS INDEPEDENT DISTRIBUTORS REPORT 2024

AI components positioned to dominate next five years

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***Electronics Sourcing's Thomas Smart** explores the top expected sales drivers for the next five years, with AI standing at the forefront*

Independent electronic component distributors see AI, automotive/electric vehicles and cyber security as the top three expected sales drivers in the next five years. The adoption of AI technologies is rapidly accelerating across various industries, revolutionizing the way businesses operate and enhancing efficiency, productivity and decision-making processes. The versatility of AI allows for its implementation in countless ways, encompassing the automation of simple tasks to complex predictive analytics and machine learning algorithms.

NewPower Worldwide's VP Trade, APAC, Mark Goh, said: "AI adoption will continue to expand across various industries including healthcare, finance, retail, manufacturing and automotive. Companies will leverage AI-powered solutions for tasks such as predictive analytics, personalized customer experiences, process automation and decision support systems."

AI has already given the enterprise computing industry a boost as Fusion Worldwide's president, Tobey Gonnerman, explained: "Artificial intelligence is one of the biggest buzzwords in the electronic component industry. This evolving technology gave the enterprise computing industry a much-needed boost last year, and its influence has since spread. Every industry, from consumer electronics to healthcare to supply chain logistics and automotive, is attaching growth projections to AI demand. As more products adopt AI applications to meet consumer connectivity expectations, Fusion Worldwide sees AI as a continuous market driver for years to come."

Investment in next generation chip fabs will see OEM's struggle to source legacy parts through traditional distribution networks as A2 Global Electronics' CEO, Frank Cavallaro, explained: "Despite global CHIPS Acts incentivizing semiconductor manufacturing, new fabrication plants will prioritize next-generation chip investments as AI and hyper-scale cloud computing markets grow. As fabs move away from producing legacy components and larger node sizes, OEMs will find it increasingly challenging to source legacy parts through manufacturers and traditional distribution networks."

The last five years has seen the EV vehicle and automotive market grow exponentially this growth is expected to remain strong going into the next five. The manufacturing of EV's will be supplemented by maintenance and replacement parts as Smith's CEO, Marc Barnhill, explained: "Automotive is a huge industry right now, and it's only going to keep growing. Electric vehicles are taking up bigger and bigger shares of the market each year, and on top of that, the technology that's being added to all types of vehicles also continues to grow. With this rise in semiconductor demand from the automotive industry, we're also going to start seeing a shift in end-of-life needs from automotive customers, as these vehicles—which contain hundreds or thousands of components—require maintenance and replacement parts for the next five to ten years."

For EV demand to continue the issue of charging infrastructure needs to be addressed. Frank Cavallaro added: "EV sales have slowed and will not drive chip sales at the same rate they did in the past until charging infrastructure is built out to support the market. Some manufacturers are cutting investments in new models and factories as buyers become more cautious."

Top 15 expected sales drivers for next five years

1. Artificial Intelligence (AI)
2. Automotive/Electric Vehicles (EV / HEV)
3. Cyber Security
4. Climate Technology; Green/ Renewable Energy
5. Internet of Things (IoT)
6. Autonomous Vehicles
7. Virtual Reality (VR) / Augmented Reality (AR)
8. Smart Grid / Smart Meters
9. 5G
10. Robotics
11. Edge Computing
12. Metaverse
13. Biomedical Technology
14. Energy-Efficient Lighting
15. Nanotechnology

Ultimately, the next five years are poised for a profound transformation driven by AI. As AI permeates various industries, including healthcare, finance and automotive, its impact on efficiency and innovation will be significant. With AI at the forefront, electronic component distributors must adapt to meet evolving market demands.

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Automotive components top independent NA revenue share

In 2023 the independent North American electronic component industry was topped by automotive related components comprising of 22% of market share, this is a significant drop from the 32.4% of 2022, this was the largest decrease across all markets. Industrial Automation has moved up to joint second position with 15% from 10.2% in 2022, this was the largest increase across all markets. Also in joint second position is Medical with 15% compared to a 2022 figure of 6.4%.

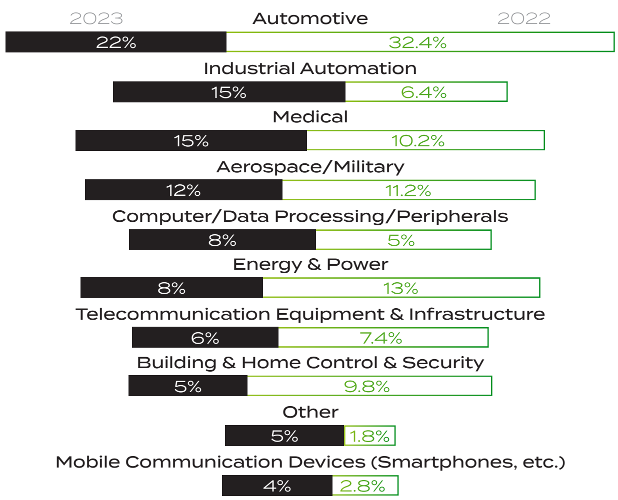
Bounce back from high OEM inventory expected for 2024

The market in 2023 experienced a slowdown from 2022 due to high levels of stock at OEMs, industry heads are confidante of a bounce back in 2024 as stock levels return to expected levels.

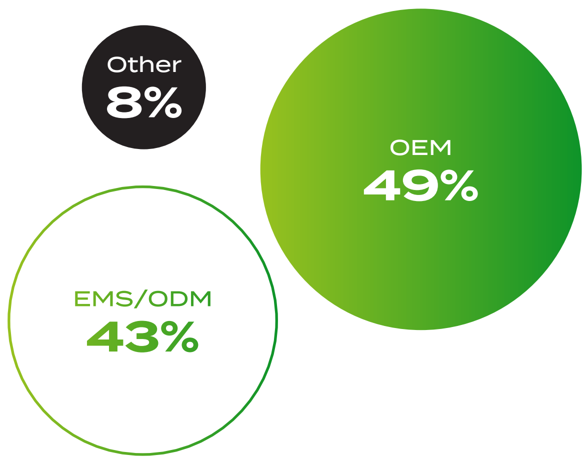
Amalfi Trading's president and CEO , Fausto Tersigni, explained: "We expect the slowdown to continue for the first half of the year and expect an improvement in the second half of 2024."

This is echoed by Chip 1 Exchange: "The market slowdown in 2023 due to excess OEM inventory is likely to reverse course in 2024. Recent reports indicate chip prices are stabilizing and even rising, suggesting manufacturers are successfully reducing stockpiles. This, coupled with continued demand for AI, electric vehicles, and other growth sectors, points towards a market recovery in the coming year."

North America Revenue Share by End Market



North America customer revenue share 2023



The Top 15 North America Independent Distributors

Rank	Company	2023 North America ($ Millions)	Share of Top 15 Total Sales (%)	North America Sales Share of Worldwide (%)	2023 Global Revenues ($ Millions)	Type*	Total Employees	Sales per Employee ($ Millions)
1	NewPower Worldwide	1,550	32.9	71	2,172.0	1	152	14.3
2	Fusion Worldwide	1,408	29.8	64	2,200.0	1	520	4.2
3	Smith	926.4	19.7	48 (3)	1,930.0	1	900	1.0
4	A2 Global Electronics + Solutions	243	5.2	90 (3)	270.0	1	-	-
5	Quiksol International Components	125	2.7	30	417.0	1	230	1.8
6	Perfect Parts Corporation	74	1.6	29	255.0	1	-	-
7	Chip 1 Exchange	72.9	1.5	30.3	240.7	2	500	0.5
8	Classic Components Corp	63	1.3	68.5	92.0	1	130	0.7
9	Freedom USA	62	1.3	82	75.6	1	61	1.2
10	Velocity Electronics	55.8	1.2	35.7	156.4	1	205	0.8
11	Direct Components Inc.	42.3	0.9	100 (3)	42.3	1	67	0.6
12	Ample Solutions	35.3	0.7	15	235.0	1	500	0.5
13	Chip Stock (3)	35	0.7	71	49.0	1	-	-
14	4 Star Electronics, Inc.	18	0.4	62.1	29.0	2	-	-
15	Amalfi Trading, Inc	2.2	0.1	15.2	14.7	1	30	0.5

***Type of Distributor:**
1 = Broadline
2 = Specialized

(3) *Electronics Sourcing estimate*

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