

Gartner Says Top 10 Original Equipment Manufacturers Accounted for \$104.3 Billion of Semiconductor Demand in 2010

Top OEMs Accounted for One-Third of Semiconductor Vendors' Worldwide Chip Revenue in 2010

TOKYO, Japan, January 20, 2011 — Leading-brand companies remained at the centre of the semiconductor world, accounting for \$104.3 billion of semiconductors on a design total available market (TAM)* basis in 2010 — over a third of semiconductor vendors' worldwide chip revenue — according to Gartner, Inc. This was a year-on-year increase of approximately \$26.3 billion, up 33.7 per cent from 2009.

Eight of the top 10 companies in 2009 remained in the top 10 in 2010. These top 10 companies accounted for a third of all semiconductor demand in 2010 with three companies each from the Americas, Asia/Pacific and Japan and one company from EMEA making up the top 10.

The major growth drivers in 2010 were mobile PCs, smartphones and LCD TVs. PC vendors such as HP, Apple, Dell and Lenovo increased their design TAM greatly in 2010 (see Table 1) thanks to strong demand for mobile PCs. Samsung Electronics succeeded in riding the trend of the smartphone boom, while Nokia struggled. Samsung, Sony, Toshiba and Panasonic enjoyed market growth from flat-panel TVs, which saw them accelerate their design TAM.

Apple is leading the new competitive landscape of the IT and electronics industry. As a new-style vertically integrated company, Apple provides hardware, software and services for PCs, smartphones, portable media players and media tablets (the new killer application), while the production is outsourced to electronics manufacturing service (EMS) providers. While its TV business is currently small, it is continuing to invest in the TV market by shipping new internet protocol (IP) set-top boxes for future growth. Google also intends to expand its platform business to the TV market, and Gartner said that the TV service platform market is a key growth segment in the coming years.

"Semiconductor device vendors should closely monitor the changing competition structure of the target market," said Masatsune Yamaji, senior research analyst at Gartner. "Do not just listen to the requirements of the current market leaders. Have a dedicated sales team, with business development sales metrics, looking for new market entrants who will be the next-generation market leaders."

On a purchasing TAM basis, four of the top 10 companies are so-called contract manufacturers. As more brand companies are increasing their production outsourcing to original design manufacturers (ODMs) and EMS providers, the semiconductor procurement by them has increased year by year.

"Judging from purchasing TAM, Asia/Pacific, and especially China, offers the greatest opportunities in most of the device and application market segments," Mr Yamaji said. "It will be difficult for most of the semiconductor device vendors, especially replaceable general-purpose device vendors, to achieve the full design-win benefit without establishing a strong distribution network in Asia/Pacific."

Table 1
Top 10 Semiconductor Design TAM by Company, Worldwide (Millions of Dollars)

Rank 2009	Rank 2010	Company	2009	2010	2009-2010 Growth (%)	2010 Market Share (%)
1	1	HP	12,919	17,058	32.0	5.7
2	2	Samsung Electronics	11,691	15,322	31.1	5.1

4	3	Apple	7,517	12,431	65.4	4.1
3	4	Nokia	11,172	11,696	4.7	3.9
6	5	Dell	7,030	10,426	48.3	3.5
5	6	Sony	7,251	9,304	28.3	3.1
7	7	Toshiba	6,206	8,553	37.8	2.8
8	8	LG	6,077	6,969	14.7	2.3
11	9	Panasonic	3,921	6,762	72.5	2.3
12	10	Lenovo	3,689	5,741	55.6	1.9
		Others	150,898	196,054	29.9	65.3
		Total	228,371	300,314	31.5	100.0

TAM = total available market
Source: Gartner (January 2011)

"Semiconductor device vendors must pay attention not just to the design and purchasing TAM by company, but also to that by region. This is the key to avoiding inappropriate sales resource allocation," Mr Yamaji said. "Semiconductor device vendors must keep an eye on the design-win opportunity in the US, while they must establish a strong distribution network in China."

***Note to Editors on TAM**

Gartner publishes preliminary reports on OEM semiconductor consumption every year. In the past, the numbers discussed were based on brand TAM. In 2010, Gartner took the decision to look at the numbers on a design TAM basis, as semiconductor device selections are now done not just by brand companies, but also nonbrand companies. This revision is more suited to the current electronics industry, as design TAM analysis helps companies allocate commercial and design sales resources.

Gartner has begun covering purchasing TAM this year. Purchasing TAM represents the total of semiconductors actually purchased by a certain electronic equipment manufacturer or in a certain region. This index is useful when semiconductor device vendors consider the sales channel resource allocation.

Additional information is available in the report "Market Share Analysis: Top OEM/ODM/EMS Semiconductor Demand, Worldwide, 2010 (Preliminary)." The report is available on the Gartner's website at <http://www.gartner.com/resId=1517414>.

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