Fragmentation Increases in WW Power Management Market

New players cause share to become more diverse

By Marijana Vukicevic, iSuppli Corporation

Despite an abundance of suppliers in the power management semiconductor market, the allure of these products is continuing to attract new competitors to the business, causing market share to become more fragmented, according to iSuppli Corp.

iSuppli tracks 248 significant semiconductor companies and of these, 109, or 44 percent, are identified as suppliers of power management devices. This is despite the fact that power management chips accounted for only $22 billion, or 9.3 percent, of global semiconductor consumption in 2005.

Such supply-heavy conditions might be expected to trigger consolidation among the market players, but in fact the opposite is occurring, with the number of significant competitors in the power management space increasing in 2005, according to iSuppli.

Power management semiconductors present several attractions to potential suppliers:

- Many power management semiconductors are relatively easy to make, and can be fabricated in fully depreciated fabs that would otherwise be under utilized.
- Manufacturers often want to control power management functions critical to the function of their own proprietary chips.
- The wide variety of non-standard applications means that a supplier can succeed simply based on the specialized application expertise of a small number of key employees.
- Many power chips, primarily custom analog ICs, are among the most profitable semiconductors made.

This has led to the fragmentation of

the supply base, a phenomenon that should continue for some time, predicts iSuppli.

The top 20 suppliers are seeing their share decline somewhat as new players enter the market. The combined market share declined to 74.9 percent in 2005, down from 75.6 percent in 2004.

Looking at the top 20 players, North American headquartered semiconductor suppliers continue to be aggressive with respect to innovations in digitalized power, and have captured a commanding lead in this area. These suppliers have maintained a significant lead in the power supply market, as evidenced by the market success of power supply focused companies such as Texas Instruments, International Rectifier, Fairchild, Microchip and Linear Technology.

Texas Instruments and several smaller North American headquartered companies now are pushing forward a new set of digital technologies that will quickly and fundamentally alter the competitiveness of many power supply systems. This suggests that these companies will maintain an advantage in this area for some time to come, unless major strides are made in European and Japanese firms soon.

Looking at specific suppliers, number two ranked Texas Instruments (of the United States) distinguished itself by posting the highest percentage increase in power management semiconductors in 2005 among the top 10 players, with a rise of 9 percent. The company gained a half point of market share during the year.

Texas Instruments has the greatest momentum of the large power management suppliers, both from a financial perspective and a technological one. TI is regarded in the industry at the moment as the company with the best execution.

Mitsubishi Electric Corp. gained the most market share of any power management company ranked by iSuppli in 2005, jumping from number 18 to number 15 in the rankings and gaining 0.7 percentage point of market share.

Mitsubishi has made several innovations in industrial and consumer semiconductors, especially Insulated Gate Bipolar Transistor (IGBTs), and gained significantly in the market, mostly at the expense of other Japanese suppliers.

iSuppli anticipates that this momentum will persist as Mitsubishi continues to introduce compelling new packages and power chip technologies.

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