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Semi Industry's Next Killer App

By Jessica Davis -- Electronic News, 9/7/2006

As the semiconductor end markets of computing and cell phone/handsets mature, the industry has been on a quest for the next "killer app" to drive double-digit growth for the industry.

High-end consumer electronics may just fill that void, according to Tony Massimini, CTO for Semico Research, who delivered his overview Wednesday in at a conference in San Jose of the multiprocessor market and the search for the next big area of growth.

"Where's the market that will drive us as an entire industry? High end consumer electronics," he said. That market may include a variety of products such as handheld game consoles, digital cameras, digital video cameras, integrated digital television, digital TV monitors, DVD video players and recorders, TV set top boxes, game consoles and MP3 players.

Massimini said this market is set to double over the next five years with a compound annual growth rate of almost 14.5 percent. By 2009 it will make up just over 23 percent of the market, he said. The biggest category of semiconductor products going into these devices will be MOS logic, including system-on-chips (SoCs), standard cell, ASICs and special purpose logic, Massimini said. "This is where you see the ever increasing levels of integration and you see all the different processor cores," he said. Players include MIPS, the PowerPC/Cell processor, ARM, ARC, Tensilica and others. "We are looking at these to do unique designs for efficiency and improved performance," he said.

And while computing's growth as an end market has slowed for the semiconductor industry, it still remains the biggest sector.

"I know processor sales have been kind of slow, but that's because of pricing," Massimini said. "It's not unit demand. Unit demand has been strong. Companies are reducing inventories in part because they are anticipating new designs so they are moving their older product as fast as possible."

In 2005 computing made up 40 percent of the overall market for semiconductors – still the number one market. But its compound annual growth rate has slowed to 8 percent. By 2010 computing will still be the number one market, but at only 35 percent of the total available market for semiconductors, according to Massimini.

"Again, it's going to be high end consumer electronics that's going to be driving our industry," he said.