

An electronic evolution

EBV is expanding into areas previously covered by semiconductor manufacturers, says Slobodan Puljarevic.

Last year was the 'Darwin year' for the semiconductor industry. It showed us that companies which do not reach the next level of evolution with their products and services will find things very difficult in the long run.

Because of this, EBV Elektronik is expanding into areas previously covered exclusively by semiconductor manufacturers. With this approach, EBV will define its own semiconductors – called EBVchips – based on customer requests, then arrange for these devices to be made. The chips will have an original component number assigned by the manufacturer and will be stamped with the manufacturer's logo. EBV will then hold exclusive distribution rights for the component for between three and five years.

The idea developed at the beginning of 2009. At that time, I had already felt the crisis in the whole industry and seen a real slump in revenues and profits. I was watching my son using his iPhone in the queue for a ski lift and it occurred to me that companies like Apple, who offer something special and are first to market, have a good chance of earning more from their ideas.

As a distributor, EBV had previously been 100% dependent on its manufacturers; now, EBV is taking the initiative. As a prerequisite, EBV needed to reorganise to address vertical market segments and this was accomplished in the first half of 2009. The definitions for EBV chips are coming from these market segments.

We have had targeted discussions with customers in these specific sectors. For example, we have talked with companies that want to produce wind turbines, cars, solar panels or blood glucose meters. We divided these customer groups into vertical market segments – automotive, general lighting, rfid, medical, renewable energies and consumer – and intend to build specific chips for these segments. However,



Slobodan Puljarevic, president and ceo, EBV Elektronik

every EBV customer will have access to EBVchips. And, if an idea can be implemented and has sufficient marketing potential, we are open to all suggestions!

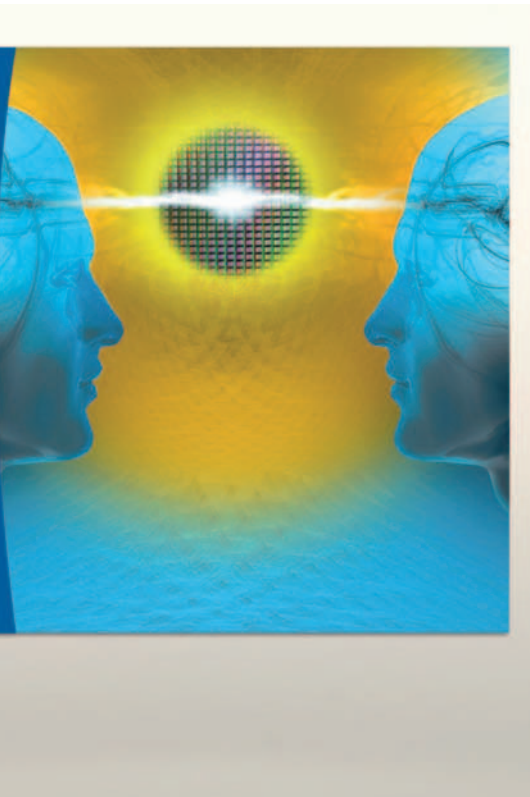
However, EBV does not want to target the upper price segment of the market, like the iPhone. What it wants to do is to cooperate with the manufacturers it represents to grow the market through the introduction of new products and to receive an appropriate margin.

EBV's vertical market segment managers create the specifications for the chips and these are taken to an appropriate manufacturer to discuss whether it might develop and produce the

particular device. The manufacturer then begins chip design as part of its normal process.

Even though EBV's marketing and sales staff are all engineers, designing a chip requires more than just writing the specifications. For this reason, EBV will also have employees who function as 'translators', taking specifications developed by product marketing and turning them into the language of chip designers.

While EBV develops the specification, it's the manufacturer who will be responsible for adhering to that specification, as well as deciding whether it carries out chip design in house or contracts it to a design service provider.

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For example, if EBV speaks to 50 customers, its specialists will ensure that an EBVchip will meet around 90% of each customer's requirements. We can then work out how many components each customer might require. In principle, EBV is open to input from all customers, regardless of the potential unit figures, but cannot guarantee that an EBVchip will be developed.

It is the same process that manufacturers follow. They discuss requirements with their key accounts; EBV does the same, but with small and mid sized companies. Because EBV is a key account for the manufacturer and an interface to

the mid sized companies, it can offer its customers the latest and best possible integration in state of the art technology – and for a better price than a solution based on standard components. Increased reliability and the advantages of the integrated solution are enjoyed by customers as something of a bonus.

If customers only provide marketing input then, in principle, the IP of an EBVchip belongs to EBV. However, if a customer undertakes to order 1million units, it could retain the IP rights.

Large customers – manufacturers' key accounts – have always had access to the latest technologies and so always grew. Mid sized companies were often left in their wake, with the gap between these customers widening.

But manufacturers do not have enough product marketing staff to take care of thousands of customers. In addition, one customer will generally not generate the necessary unit quantities that will make the product attractive.

EBVchips offer mid sized companies access to devices with completely new specifications and solutions with a better price/performance ratio. With EBVchips, EBV is an extension of the manufacturer for many thousands of customers. In this way, EBV believes it is raising semiconductor distribution to a whole new level.

What quantities of EBVchips will be ordered depends upon the application. In the case of a microcontroller, it could be a couple of million units; a power module for wind turbines could start with an order for 20,000 to 30,000 units. The manufacturer's minimum unit quantity will depend on a number of factors, including chip size and packaging. EBV will be able to supply its customers with samples if required.

However, EBV will often order a large batch of EBVchips and then store the products. In this way, the components can be acquired for an

attractive price, although EBV must finance the whole batch. But it's a similar approach to the way standard products are sourced. EBV has around €250million of components in stock, approximately half of which were ordered by EBV with no concrete orders from its customers.

EBV will then act as a pure distribution channel for these application specific semiconductors; factors such as liability, guarantee, qualification and delivery will be the manufacturer's responsibility.

Manufacturers are enthusiastic about this idea and we have already had substantial discussions with them. Many manufacturers have been waiting indirectly for years to receive bundled and detailed information of precisely what is needed by the thousands of customers purchasing via distribution.

If you have an idea for an EBVchip, then contact your EBV representative – all ideas are welcome. This is the first time that a distributor is ensuring that even companies with small unit requirements can get products specially tailored to their needs, made using the latest technology with the best possible integration and with the best price/performance ratio.

In summer 2009, EBV said it was segmenting the market vertically and other distributors are trying to organise themselves in the same way. However, conversion is time consuming.

The idea of EBVchips will certainly be copied, but a exact copy can never be as good as the original. So even if other companies copy the basic idea for EBVchips, EBV will already be implementing new ideas. I'm also going skiing again soon.

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