2004 Communications Chips Market Perception Study: Access/Enterprise Chips

EXECUTIVE SUMMARY

After two years of dismal performance following the telecom industry’s worldwide financial collapse, makers of communications chips finally started to see some evidence of a turnaround in 2003. Final revenue numbers for the year are not yet available, but the end-of-year consensus among industry watchers was guardedly optimistic, with most estimating modest growth for the sector. But even single-digit growth is welcome in an industry that saw sales plummet by as much as 50 percent from 2000 to 2002.

Any general discussion of the comm chips market has to include one huge caveat: The individual product categories that make up this diverse market are often vastly different from one another. These differences include not only market size but also the maturity and complexity of the underlying technology. The diversity of product types in this industry sector means the composite picture of the comm chips business is significantly different than the portraits of the individual categories. It’s not just the products that are diverse – buyers of comm chips tend to view the market in a very focused (read vertical) context.

Heavy Reading’s 2004 Communications Chips Market Perception Study: Access/Enterprise Chips focuses on the attitudes and views of prospective buyers of comm chips that go into network equipment in the metro/access portion of the network. The heart of the study is an invitation-only survey gauging the perceptions of potential purchasers of communications chip technology in nine different product categories.

449 respondents from the world’s leading systems vendors and original equipment manufacturers (OEMs) participated in the Heavy Reading comm chips survey, yielding critical market perception data for 117 different components vendors (54 public, 63 private). More than 47 percent of the respondents are employed by the world’s largest incumbent telecom equipment vendors, including Cisco Systems, Nortel Networks, Alcatel, Juniper Networks, Siemens, Lucent Technologies, Ciena, Tellabs, and Marconi.

In addition to the nine access/enterprise categories covered, the survey included 22 categories of transport chip products. Results for those categories are available in a separate report (see the end of this summary for details).

Key findings on market perceptions of access/enterprise communications chip suppliers include the following:
• **Buyers in different product sectors often have markedly different perceptions of the major comm chip suppliers.** Among buyers of Ethernet access and DSL chips, Broadcom is clearly perceived as the industry leader, while Agere Systems and PMC-Sierra are viewed largely as Ethernet also-rans. But PMC-Sierra and Agere are seen as the best suppliers of telephony PDH chips.

• **Almost all major chip vendors have key sources of strength in specific product categories – and almost all have glaring weaknesses.** Motorola was recognized by more than 70 percent of prospective buyers in the PON chip and communications processors categories. But less than half of all VOIP chip buyers identified Motorola as a supplier in that market.

• **Results suggest that many buyers of commodity-class components don’t look beyond their current suppliers to evaluate products from other vendors.** In the Ethernet MAC category, respondents on average identified fewer than four suppliers, and only two vendors were named by more than 50 percent of those respondents. In several product categories, 20 percent or more of prospective buyers did not name market leaders for price, product performance, product quality and reliability, or service and support. Such results indicate that many buyers are content to stay with their current suppliers – or at least are not motivated to find better products or deals elsewhere.

• **Intel has achieved moderate success in establishing itself as a leading comm chips supplier in the eyes of prospective buyers.** Intel shared top honors with Ethernet chip powerhouse Broadcom in the Ethernet controller segment, and it was second to Broadcom in the Ethernet MAC chip sector. But Intel’s perception ratings were lagging in the DSL and VOIP chip segments.

• **Startups still have an opportunity to influence some of the developing comm chips segments.** Startup suppliers of passive optical network chips have a significant opportunity to capture market mindshare. BroadLight was recognized by nearly half of all prospective PON chip buyers, and Passave and Teknovus both registered on the radar screens of at least 25 percent of respondents. All three earned some credit for market leadership in price, performance, product quality and reliability, and service and support.

The 2004 Communications Chips Market Perception Study: Access/Enterprise Chips report drills down to show what buyers think about vendors’ products within these nine product categories:

- Telephony (PDH) Chips
- DSL Chips
- PON Chips
- Ethernet PHY Chips
- Ethernet MAC Chips
- Ethernet Controller Chips
- Ethernet Switch Chips
- VOIP Chips
- Communications Processors

**Survey Respondents**

More than 900 responses were received for the study. Only those responses coming from employees of systems vendors, original equipment manufacturers (OEMs), and systems integrators were included in the survey database. The final base of 448 survey participants includes employees from more than 200 different companies and organizations worldwide. Specific demographic breakouts of the survey base are as follows:
Survey participants rated vendors in each product category according to five criteria:

- Name recognition
- Price leadership
- Performance leadership
- Market leadership in product quality and reliability
- Market leadership in service and support

The *Heavy Reading* study analyzes overall results for each category and breaks out results for each survey category:

**Excerpt: Top Vendors by Recognition (from Telephony [PDH] Chips)**

![Graph showing top vendors by recognition](image)

**Deep Analysis of Product Categories**

In addition to survey results and analysis, the report includes definitions of communications chip product categories along with technology and market overviews for each product sector.

*Heavy Reading’s 2004 Communications Chips Market Perception Study: Access/Enterprise Chips* will be essential reading matter for any company selling or buying comm chips, investing in the companies that make those products – or looking to sort the leaders from the followers in this important market.

In addition to this report, *Heavy Reading* also offers the *2004 Communications Chips Market Perception Study: Transport Chips*, which includes survey results for 22 different transport chip product categories. The full report, covering the entire comm chips market, is also available. The full report includes access to a searchable database that allows subscribers to view results by critical demographic segments, including geographic region, respondent job type, and respondent company type.