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Fabless semiconductor companies:

Is your manufacturing sourcing strategy eroding competitiveness?

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What is the competitive challenge for fabless semiconductor companies?

Fabless semiconductor companies are challenged by very high cost structures, which is impacting their competitiveness.

Accenture Strategy & Analysis found that up to 80% of a fabless company's revenue is consumed by the high costs of goods sold. And it's actually no surprise that investors are calling on the semiconductor companies to take action.

What is contributing to higher COGS?

Most fabless companies are wrong in the conventional wisdom to focus on a single manufacturing sourcing strategy. As a result, they lose the flexibility to make operational changes and to control expenses.

Also, many companies fall into the convenience trap and go with the Known Good Die strategy and pay esoteric management fees that also adds to their cost structures.

How can semiconductor companies restore profitable growth?

The answer is a hybrid, flexible approach to manufacturing sourcing strategy that enables companies to effectively use both the Wafer Buy and Known Good Die strategies, and switching from one to the other when the business conditions require.

What are the critical actions to take?

There are three critical actions needed to get the maximum benefit from a flexible manufacturing sourcing strategy.

Number One: Choose whether to use Wafer Buy or Known Good Die strategy based on a product's technology and its stage in the product's life cycle.

Number Two: Implement the business processes and systems to support both manufacturing sourcing strategies, and the ability to switch between the two when the business conditions require.

Number Three: Monitor the performance of each strategy to ensure you're achieving the desired cost structures.

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