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AS INTEL ANNOUNCES THE FIRST MEDFIELD PROCESSOR DESIGN WINS FOR SMARTPHONES AND TABLETS, HOW SIGNIFICANT IS THE THREAT TO ARM?

London, England; February 3, 2012; The annual Consumer Electronics Show (CES) held in Las Vegas in January saw Intel announce plans to expand into the highly lucrative smartphone and tablet applications processor market, with Lenovo and Motorola Mobility both declaring that they will introduce products using the Intel Medfield processor. As the undisputed leading supplier of the semiconductor industry and with profits and cash reserves greater than many competitors put together, Intel's move into a new market always creates headlines. In this article, Colin Barnden, Principal Analyst at Semicast Research discusses some of the implications of Intel's announcement and in particular the threat to ARM, the current leading processor architecture in smartphones and tablets.

From a consumer perspective, this announcement is a non-event. Techies, analysts and investors might get excited about these issues, but consumers don't care if a new phone or tablet has Intel inside, uses a 32nm processor, or whatever. They want to know if it does cool stuff, can impress their friends and how long the battery will last. The smartphone and tablet market is fast moving and brutal, the wrong product fails and is quickly forgotten, irrespective of the technology inside. Thus Intel's move into phones and tablets will live or die according to the equipment manufacturers it works with and how successful their products are. The tablet market is barely two years old, but is already a graveyard for products that were introduced with great expectations, but lacked the features to compete with Apple. Just ask HP.

So who were the leading manufacturers of phones and tablets in 2011? In smartphones, Semicast estimates that the leaders were Apple, HTC, Nokia, RIM and Samsung (Lenovo and Motorola Mobility did not make the top five), while in tablets the leaders are estimated to have been Apple, Asus and Samsung, with Amazon (Kindle Fire) and Barnes & Noble (Nook Color) likely to be key players in 2012. These are the suppliers Intel will have to convert if it is to challenge ARM in phones and tablets.

It is important to remember that ARM does not make processors, it designs and licenses the processor cores and technology, but it is not a silicon vendor. Thus Intel's announcement is not so much a challenge to ARM, but to those companies producing ARM-based processors for smartphones and tablets. This includes Apple, Broadcom, Freescale, Marvell, Nvidia, Qualcomm,

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Renesas, Samsung, ST and Texas Instruments (and through its acquisition of Infineon's Wireless Solutions business, also Intel). Collectively these ten competitors had total 2011 semiconductor revenues of around $95 billion, which equates to almost twice Intel's revenues. Thus while Intel may be a big company, it is also taking on big competition; all of these suppliers are ARM licensees, all have a track record in consumer electronics and none is likely to surrender share to Intel without a fight.

With a market capitalization of about $12 billion, Intel just buys ARM? Unlikely. According to Semicast's research, in revenue terms ARM is now the leading 32-bit embedded processing architecture in almost all market sectors, so whether Intel could get FTC and EU approval to buy ARM, when to do so would significantly distort the competitive landscape, is debatable. Three years ago, ARM's share price was around one-sixth of today's value, which raises the question that if Intel could buy ARM, why hasn't it done so already? This question can be extended to other suppliers, such as Apple and Oracle, but in Semicast's view ARM's success and value lies in its independence, with the technology available to any supplier who pays the license fees. This leaves the politics of the marketplace to ARM's silicon partners, freeing ARM to focus on developing the technology and intellectual property roadmap.

While the ARM architecture has a considerable lead in smartphones and tablets today, Intel is a formidable company and the CES announcement will have been noted by management at all of its competitors, and also at ARM. However ARM's strength is that by being an independent supplier of processor intellectual property, it can simultaneously be Intel's competitor and its ally. With such a strategy, Semicast continues to hold the view that ARM's best times still lie ahead.

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Notes for Editors

1. Semicast has a strategic focus on embedded processing and provides on-going research services to the global industry. Its Embedded Processing Service has been developed specifically for semiconductor and software suppliers to understand detailed trends in 23 key application areas across the five main end-use sectors. The service has a focus on trends for the ARM, MIPS, Power Architecture and x86 product families in embedded processing.

2. Semicast is always willing to work with journalists to provide quotations, opinions and market information for articles. If you require further information, please contact us at press[at]semicast.net

3. Semicast is a respected provider of independent market research on the semiconductor and electronics industry. It specializes in coverage of industrial and medical semiconductors, automotive electronics, telematics/infotainment, automotive semiconductors and embedded processing.