

ANALYSIS-Chipmakers fight for top spot in new mobile technology

Thursday August 19, 2010 05:24:05 AM GMT



CHIPS-4G/ (ANALYSIS)

- * Top carriers to adopt LTE wireless technology from this yr
- * Qualcomm seen leading LTE chip battle
- * Many Asian firms rush in to compete
- * Renesas bets on array of multimedia devices to boost growth

By Sachi Izumi and Sinead Carew

TOKYO/NEW YORK, Aug 17 (Reuters) - LTE, the next generation of high-speed wireless technology, should be a goldmine for chip companies but smaller players face big challenges as they jostle to compete behind market leader Qualcomm Inc.

With No. 3 player Texas Instruments leaving the market for mobile basebands -- the main cellphone processor -- there should be ample opportunity for smaller rivals in LTE, a new standard in the mobile network technology often called 4G.

So far, many big operators are choosing LTE, or long-term evolution, as a natural development of 3G networks. They are set to invest billions to shift to the higher-speed networks to accommodate exploding data traffic as consumers surf the Internet on snazzy smartphones and mobile devices.

Chip companies are eager for orders as cellphone makers start producing LTE phones, but the fight for the emerging market is wide open with no obvious leaders besides Qualcomm.

"LTE is providing an entry point for those across the industry who had previously missed the 3G transition," Francis Sideco, an analyst at research firm iSuppli said but added: "At this point it is still too early to tell how successful they will be in actually displacing the incumbents."

Some analysts expect Taiwan's MediaTek Inc to be a front runner to follow Qualcomm because it already sells a huge volume of chips for phones that use older technologies.

Other big contenders include ST-Ericsson, a venture of STMicroelectronics and Ericsson, as well as U.S. chipmaker Broadcom and Germany's Infineon.

Japan's Renesas Electronics is now in a better position to compete after agreeing to buy the wireless modem business of Nokia.

Qualcomm is seen having a natural lead in LTE as U.S. operator Verizon Wireless will be one of the first in the world to roll out widespread LTE services. Verizon's LTE devices will also need to support its current network, based on a 3G wireless data technology Qualcomm developed.

Nordic operator TeliaSonera began the world's first commercial LTE services last year.

LTE technology, often called 4G, offers cheaper operating costs and enables fast uploads and downloads of movies, music and other data to mobile devices.

ASIAN PLAYERS

Prospects of a new LTE chip market have attracted other entrants, including big mobile phone makers Samsung Electronics and LG Electronics.

But at best these companies will end up supplying chips for just some of their own phones, according to analysts who say they will likely need to use Qualcomm chips too.

They do not expect other handset makers such as Nokia or Motorola Inc to buy chips from Samsung or LG.

Some chipmakers are banking on old alliances. Since Japan's Renesas is spending \$200 million to buy Nokia's chip business it sees Nokia as a key customer for the business.

"Nokia of course can be one of our major customers, but other cellphone makers will also be our targets," Renesas senior vice president Hideaki Chaki told Reuters in a recent interview, adding that phones would be only one segment of the market.

"We are sure many devices like netbooks, digital cameras and car navigations will be connected to networks, and we expect this business to be big," Chaki said.

Renesas, the world's No. 5 chipmaker which earns a majority of sales in Japan, has high hopes the Nokia deal can help boost its overseas presence and quadruple sales in its mobile device business to 400 billion yen (\$4.7 billion) by March 2016.

It aims to represent as much as a third of the global LTE chip market.

"For a lot of the smaller players its going to be a challenge," said Deutsche Bank analyst Brian Modoff, who sees steep investment requirements for LTE chip development.

Modoff said his next LTE bets after Qualcomm, MediaTek and ST-Ericsson, were still focused mainly on 3G chips.

"Mediatek has a lot of volume but isn't advanced on the technology side," he said. "ST-Ericsson's got the technology but they've gone through so many restructurings."

If Intel buys Infineon's wireless business as the market expects, it should have enough resources to seriously challenge Qualcomm but, analysts point to Intel's previous failed efforts in mobile phone chips.

"Qualcomm is clearly the leader and will remain so for the next several quarters but in 2011 that could change if Intel buys Infineon," Charter Equity Research analyst Ed Snyder said. Infineon chips are used in Apple Inc's new iPhone.

Some analysts said a lot will depend on pricing in the cut-rate industry.

"Renesas can make products, but the focus will be whether it can make high-quality products at lower costs than rivals," said Daiwa Securities Capital Markets analyst Masaharu Sato.

The difficulty for investors looking to bet on LTE chip vendors other than Qualcomm is compounded by expectations the technology will take several years to become prevalent. (\$1=85.35 Yen) (Editing by Anshuman Daga)