

## **RUSSIAN ELECTRONIC INDUSTRY REVIEW / MANUFACTURERS AND DISTRIBUTORS**

### **Russian EC manufacturers**

All manufacturers of electronic components whom we questioned confirmed the positive rate of growth in comparison with the last year. Majority of them are focused on the market of military technologies and, as such, they are directly connected with financing of defense orders and government programs. It can be assumed that positive dynamics is observed not so much in EC manufacturing, but in financing of the sector from a state budget. However, there are exceptions to the rule, and their number increases. Large semiconductor manufacturers (Micron, Angstrom and Integral) have a share of export deliveries which amounts to more than half of what they produce. The growth of export deliveries is virtually equal to the growth of EC market in South-East Asia, which is about 20%. Success of Morion company (St. Petersburg) was achieved on the world market of electronic components for hi-tech telecommunication equipment. A number of manufacturers of passive components and discrete semi-conductor components are specialized in the automotive market. A number of fabless civil-market oriented companies also increases.

### **Foreign EC manufacturers**

An interest of foreign EC manufacturers to Russia is as high as it has never been before. Russia is among countries with the most dynamic economy and a high estimation of development potential. Foreign investors designate these countries by the BRIC abbreviation (Brazil, Russia, India and China). Besides the «magical» power of the word BRIC, the foreign manufacturers are actively influenced by Russian distributors, demanding from them to work more actively on promotion of their products, co-financing of advertising campaigns, etc. Another important factor is an impressive data on sales volumes of the leading foreign manufacturers in the Russian market. For example, the most successful of them earned more than 20 million dollars in the last year, and they continue to increase their sales volume at a very high rate. The figures stir the competitor's imagination. As a result, such companies as ST Microelectronics, Sick, Omron and Matsushita Electric Industrial opened their representative offices in Russia last year. During the last year managers of the National Semiconductor and other well-known foreign EC manufacturers actively worked with Russian distributors.

In the last year, as if by common consent, conservative Japanese also started their activities at the Russian market. It is possible that they were encouraged by the decision of the Toyota company to build a motor-car factory in Russia. Immediately after that, such companies as NEC, Renesas, Omron and others also showed their interest. Plans of the companies are described in every detail by their representatives in interviews published in the «Electronic components» magazine in 2005.

### **EC distributors**

To enter the «top ten» of the biggest Russian distributors in the last year, the company had to have a sales volume of more than 15 million dollars, the «entry ticket» to the «top five» was 25 million dollars, while the leaders of the last year earned more than 40 million dollars. The growth indicators for 2005 of the top five distributors were quite even, but somewhat higher than those of the EC market in general. At the bottom of the «top ten» and down below to the «top twenty» the difference of indicators was very large — from the decrease of sales to the growth of 100% and more.

While the Russian market consists of a large number of small consumers, foreign distributors compete, primarily, among themselves for «sympathies» of Russian distributors-partners. However, the growth of the market and the growth of the largest Russian consumers have already made direct deliveries profitable for the foreign companies, and soon today's partners will «cross» in the market of end consumers. The next wave of competition among distributors will be caused by the move of the foreign distributors to active direct sales. Not all Russian distributors will be able to survive it.

### **Contract manufacturers**

Since 2003, when they were almost unknown in Russia, contract manufacturers became a noticeable market force, and they constantly increase their influence. Their share in the Russian market of electronic components is still insignificant, but it is only for a while. Distributors of electronic components realize the situation and form alliances with contract manufacturers, trying to perform functions of contract manufacturing integration themselves.

Indicators of the leading Russian contract manufacturers are listed in the table «Contract manufacturing» (see p. ...). We can compare these with indicators of the leading world contract manufacturers listed in the «Electronics manufacturing» magazine (№ 6, 2005), which was entirely devoted to a subject of contract manufacturing.

### **Contract development**

In the end of the last year at the «Development of custom-built electronics» conference we estimated the potential of the Russian market of the contract electronic development services at 120 million dollars. It was the amount that Russian customers of contract development were willing to spend at appropriate offer. But the real share of the contract electronics development market came to 1/5th of the amount at best. Within the next few years we expect rapid development of the market which also serves as a catalyst for development of the whole Russian electronic components market, because contract developers provide a channel for promotion of the most advanced world technologies to the Russian market and integration of these technologies in Russian electronic equipment.