

Global Semiconductor Manufacturer

Leveraging ECRI's cycle risk management services, this chipmaker improved its global semiconductor supply chain dynamics.

ECRI Cycle Risk Management Helps Client Better Manage Supply Chains

Objective

An inability to anticipate cyclical turning points in demand was costing a major semiconductor chip producer dearly, as production capacity overshot and undershot chip demand. The objective was to reduce this element of risk in their demand and price cycles.

Approach

The client leveraged our unique insights into global manufacturing cycles, which greatly impacts cycles in integrated circuit demand.

We focused the client on our set of proprietary leading indexes for global industrial growth, including the Global Industrial Growth Long Leading Index, Global Industrial Growth Short Leading Index and Global Leading Manufacturing Index.

A custom-built leading index, to target semiconductor chip demand specifically, was also added to the mix.

This cycle risk component of their demand monitoring system is supported by monthly management discussions with our cycle experts. The latest cyclical developments are also covered, providing context and conviction for the client to accurately time the execution of their tactical moves, including the timing of their multi-billion-dollar chip fab investments.

Results

With a much better understanding of the cycles affecting semiconductor chip demand, the client is now able to manage cyclical risk on a proactive, tactical basis. Having improved its tactical management capabilities relative to their peers, they were able to optimize the timing of capacity addition, opening up new strategic opportunities.

In recognition of these improvements, the client received an improved stock price valuation from analysts, as they became an industry leader in managing their business cycle.