

eBook

Leading Semiconductor Companies Cozy Up to OEMs





How to Make Direct Selling Work for Your Company

The semiconductor industry is notoriously cyclical, but with more and more items requiring chips, there are plenty of opportunities to increase sales—especially for foundries focused on digital transformation initiatives to enable them to scale.

One new strategy adopted by chip makers is selling directly to end users and skipping the traditional distributor model. This is especially true when selling to auto manufacturers, given the rise in the production of EVs.

Let's take a closer look at what's required to successfully manage this strategy.



Opportunities Are Big for Semiconductor Sales

According to Congressional Research Service, global sales of semiconductor chips doubled to \$602 billion from 2021 to 2022,¹ accelerated by increasing digitization and connectivity across nearly every industry. The future looks bright, with Gartner projecting sales will more than double again by 2029, hitting \$1,380.79 billion with a CAGR of 12.2% during the forecast period.²

The auto industry alone is expected to account for **\$147 billion in chip sales by 2030.**³

Yes, there is pent-up demand to meet, but there are also true growth opportunities thanks to the ever-expanding Internet of Things. The auto industry alone is expected to account for \$147 billion in chip sales by 2030.³

The time is right for foundries looking for deeper partnerships with end-users. By sharing the financial burden of designing leading-edge node designs, semiconductor companies and manufacturers can forge a win-win strategy that reduces costs, increases supply and streamlines processes for both companies.

¹ Congressional Research Service. *Semiconductors and the Semiconductor Industry*. April 19, 2023.

² GlobeNewswire. *Semiconductor Market Size Predicted to Reach USD 1,380.79 Billion, exhibiting a 12.2% CAGR by 2029*. April 5, 2023.

³ Burkacky, Ondrej, Deichmann, Johannes, Guggenheimer, Michael, and Pfingsttag, Philipp. McKinsey. *Will the supply-demand mismatch persist for automotive semiconductors?* October 23, 2022.

Auto OEMs Are Driving This Change

The automotive industry has been at the forefront of digital transformation. McKinsey & Co. describes today's vehicles as "smartphones on wheels."⁴ With personalization and "infotainment" options, advanced autonomous-driving features and other digital services, today's car is less a mode of transportation and more of an "automotive ecosystem."⁵

This trend has caused auto manufacturers to abandon the electronics architecture of the past—distributed software developed by tier-one providers—to adopt a more centralized structure that integrates software modules from multiple suppliers into unified platforms.

For semiconductor foundries, the opportunity is knocking. A strategic shift to selling directly to OEMs can provide a competitive advantage today and lock in valuable partnerships for the future.

**The key question for today's semiconductor companies is:
Do you have the right payments infrastructure to sell direct?**



⁴ McKinsey & Co. *Smartphones on wheels: New rules for automotive-product development*. October 24, 2022. <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/smartphones-on-wheels-new-rules-for-automotive-product-development>

⁵ Ibid.

The Challenges of Selling Direct



The semiconductor industry is already immensely complex and diverse. It serves a variety of different verticals and, in many cases, such as auto manufacturers, it's also a buyer's market. Furthermore, global tensions can interrupt production, making it hard to meet demand.

Against this background, selling directly to OEMs requires that semiconductor companies are operationally ready to serve business buyers. Rather than maintaining a finite set of distributor relationships, foundries will be required to make sure they can handle:



The complexity of global billing.

High-volume invoicing in multiple currencies and languages can be hard to manage with manual or legacy systems.



Existing processes that won't scale.

When direct selling accelerates, other accounts receivable bottlenecks, such as trade credit offers, invoice rework and collections, will surface.



The need to differentiate beyond product features.

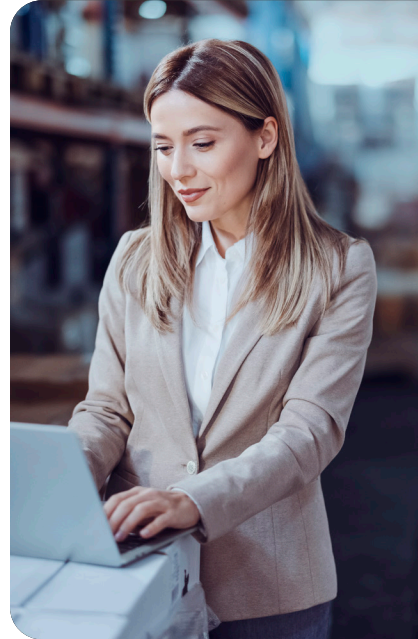
Every competitive edge matters, and being easy to do business with has become more important than ever in today's digital world.

Invoicing and Payment Automation Is Just a Few APIs Away

Fortunately, semiconductor fabs can overcome these challenges with industry-specific B2B payments technology. This comprehensive solution is only available from TreviPay.

With TreviPay in your tech stack, you can leverage a frequently overlooked opportunity to:

- ✓ Gain more control over your supply chain
- ✓ Form meaningful one-to-one relationships with buyers around the world
- ✓ Support growth through automation and digital transformation
- ✓ Stabilize cash flow with guaranteed payments within days, minus known fees



The TreviPay Advantage

At TreviPay, we build industry-specific invoicing and payments technology so you can benefit from:

- ✓ A highly configurable end-to-platform to fit your needs
- ✓ Selling direct to manufacturers without building out a trade credit program
- ✓ Automating global invoicing and payments in multiple currencies
- ✓ Simplifying a complex buying experience
- ✓ An improved customer experience aligned with today's buyer expectations

Case Study: A Semiconductor Giant Sells Direct

The Situation

A leading global semiconductor company decided to sell directly to end users, rather than indirectly through 30 distributors.

Going direct required an enterprise-wide paradigm shift. There were processes to build from scratch, no budget for additional headcount, and the immediate need for a B2B invoicing and payments provider that could:

- Manage hundreds of invoices
- Handle billing and payments in multiple currencies
- Provide fast trade credit offers
- Protect against increasing B2B ecommerce fraud

The Solution

For this semiconductor company, TreviPay offered all the features they needed:

- Accounts receivable automation for speed, scale and accuracy
- Billing in multiple currencies and languages
- Data-driven trade credit line offers made in moments
- AI-powered fraud detection and mitigation



Case Study: More Orders, Higher Margins

The Outcome

With the right B2B payments technology in place, this chip fabricator transformed into a direct-to-end user company with thousands of business buyers, and:

3.3x more orders

from trade credit users
vs. credit card users

**5.6x increased
order size**

from trade credit users
vs. credit card users

800% YOY growth

in invoice volume processed

\$400 million

annual invoice volume

2003% growth

in trade credit lines
extended to buyers

\$1 billion+

current monthly credit
lines extended to buyers

**Trade credit
available in
40+ countries**

without adding local
back-office headcount

**25-30%
profit margin**

for clients using the
trade credit program



The Secrets to a Successful Distribution Shift

If you're ready to make the most of this opportunity to sell direct, make sure you have the capacity to manage the increased invoicing and payments volume. When you partner with TreviPay, you can trust our purpose-built solutions to:

- Bring decades of semiconductor and automotive OEM expertise to your customized solution
- Digitally transform your payments by automating credit management and accounts receivable
- Provide a comprehensive credit management program, including data-driven trade credit offers, accurate invoices, and the dunning and collections process
- Enable global B2B commerce without increasing headcount

Start a conversation with TreviPay today, and learn how your foundry can take advantage of this direct selling opportunity.

TreviPay.com



About TreviPay

At TreviPay, we believe loyalty begins at the payment. By understanding the diverse and unique requirements of B2B sellers, TreviPay's global B2B payments and invoicing network enables enterprises to provide payments choice and convenience, open new markets and automate accounts receivables. With more than four decades of experience, TreviPay serves leaders looking to build loyalty while driving efficiency and embracing new digital channels, especially in industries with large distribution networks such as manufacturing, retail and transportation. **For more information, visit trevipay.com.**

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