

# Keeping pace with the industry

Altera's CEO sees growth ahead for programmable logic as the company continues its customer focus.

By Debra Bulkeley

Few people would argue that the consumer is king in today's consumer-electronics world. In a market where the newest electronic gadget can be rendered obsolete in merely a couple of months, staying on top of what the customer wants is the order of every day.

For the technology suppliers to OEMs, the message is as clear: Hone in on what your customer wants. Altera, a leader in the PLD (programmable-logic-device) market, has drilled down even deeper to what their customers want by focusing on specific markets and delivering products that answer their customers' specialized needs. Add to that fact that Altera's core business—CPLDs (complex PLDs) and FPGAs (field-programmable gate arrays)—is becoming even more sophisticated and finding its way into hot applications, such as wireless products and multimedia systems, paying attention to customer needs is even more critical.

"We went from being a very insular company five to six years ago to really focusing on vertical applications and developing deep relationships with our customers," says Chief Executive Officer John Daane. "That was a cultural change for the company." The vertical markets Altera focuses on include the military, medical, broadcast equipment, wireless, and the staple: communications. No longer does Altera use the "horizontal, frontal-assault strategy," Daane adds.

In the notorious battle for market leadership with Xilinx, Altera's altered strategy has generally reaped

positive results. In 2006, company sales were \$1.29 billion, up 14%, compared with \$1.12 billion in 2005. Although new-product sales increased 150% last year, sales were soft in the fourth quarter. The company decreased its forecast of first-quarter revenue of 2007 to \$305 million from \$350 million.

Daane, a former design engineer who became chief executive officer in November 2000, is quick to point out that the company's philosophy

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overall is on course. "Our goal is to grow at least twice that as the overall semiconductor industry," he says. "We've grown at a compound annual rate of 16%. Generally, that [trend] should continue with the products we have, and we should continue to grow at two times the pace of the industry."

Semiconductor-research company iSuppli expects PLD revenue from consumer products to climb from \$354 million in 2005 to \$477 million in 2010. PLD revenue from wireless

communication will rise from \$260 million to \$396 million, iSuppli predicts. Gartner Dataquest predicts solid growth of 15.7% to resume in 2008 and forecasts the FPGA/PLD market to outperform semiconductors from 2008 onward.

Some of the San Jose, CA, company's growth will undoubtedly come from new products. Daane mentions the company's ambitious plans for several product introductions in 2007, including its high-end Stratix III FPGA devices, which the company will begin shipping during the third quarter, he says. In March, Altera announced its Cyclone III family, which it touts as the industry's first 65-nm, low-cost FPGA. Daane holds up Cyclone as an example of how the company has changed its strategy to fulfill customer demands. "The more you design into your product, the higher the cost. When we designed the Cyclone series, we did the opposite. We pulled features out; we designed a customer advisory board and figured out what the customers wanted," he says.

The Cyclone III FPGAs consume 75% less power than competing FPGAs. According to Altera, at 20% lower cost per logic element than the previous generation, the product line lets designers use FPGAs in more cost-sensitive applications than previously possible. The power issue, Daane says, has "really set us apart from the competition."



**John Daane**  
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