

DisIntermediation of the Standards Value Chain

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What's happening to the standards developers is...disintermediation. Any intermediary in the value-added chain (i.e., value-network) that is not perceived to add reasonable value is removed (i.e., disintermediated) from that value chain (value-network). The perception in many technology areas today is that ANSI, IEC, and other standards organizations and SDO's no longer add reasonable value.

Value-networks are disintermediated either upstream or downstream. The technology inventors are taking the SDO's out of the chain and doing their own standardization when they have proprietary offerings. They are moving upstream. When a group of manufacturers start Consortia to do the standardization, they displace the SDO's in the value-network, because they feel that the SDO's don't add a reasonable value.

Disintermediation also occurs among value networks of manufacturers. Look at an example. A connector manufacturer makes connectors and sells them to companies who make backplanes and those who make boards, the next two steps up the chain in adding value to connectors. This connector manufacturer may disintermediate the backplane manufacturers by getting into the backplane business. This is what AMP has done over the past 5 years.

When a backplane manufacturer sees a large connector company getting into the backplane biz, they see that they might become disintermediated, so they get into the manufacturing of different board-level products. This is exactly what MUPAC has done in the past 2 years. Both Mupac and AMP are moving their value-added upstream.

The reason companies move upstream is to enhance their opportunities to add more value to a base-level product/technology, and their profitability. This upstream movement is happening throughout the industry.

A downstream move is when a Contract Electronics Manufacturer acquires manufacturing facilities and people from their customers, as those customers outsource their manufacturing. So, CEM's are moving downstream. Downstream disintermediation is usually based on high-volume products at low GPM. Upstream moves are typically into an area where GPM is higher than the present market the company serves.

In standards, I think the upstream disintermediation is based on a couple of factors. Companies see consortia or proprietary means as faster and cheaper than dealing with SDO's. Also, if a consortium seeds the market by giving away their technology specs, while SDO's like the IEEE see document sales as a major source of revenue, then the SDO's will be disintermediated by lower costs and a free and readily available document.

Disintermediation is a RESULT of the SDO's lack of progressive action and meaningful change...to add value in the value network. One way they could add value is to do the testing of many of the technologies. Hardware specs need thermography for cooling, NEBS-compliant testing for packaging specs, UL testing of certain technologies implemented from a spec. That's what we are planning to do at VITA with several of our new documents...do all the testing and qualification, and include those results in the spec

itself. That's one way, as an SDO, to add value up the chain, and avoid disintermediation from underneath.

Another way to add value to a spec is, for instance, to create a design package associated with the document. We are presently developing 4-U and 8-U boards for high-speed serial architectures, with the new Differential-pair connector technologies. There's a certain way you must place and route the connectors on those boards. So, we will have all that done in a CAD program, and make that part of the spec, thereby adding value upstream from the document itself. This would save the implementer thousands of dollars, and associated risks, with trying to do this himself.

There are a lot of ways to add value to a standards document, and the standards process. You just have to know what is required upstream, and create the values that are needed upstream. This is something very few of today's SDO's seem capable of doing.