

# **MET CS782**

## **Business Model of Intel Corporation**

### **Assignment 1**

**(Intel Using innovation to create competitive advantage & it is disrupting industries and solving global challenges)**

**Revision: 1.1**

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## 1. Abstract

Intel Corporation is one of the world largest semiconductor company and highest process technology in these decades. In this paper, first we describe key aspects of Intel Corporation business model and mention relevant actual competitive challenges where Intel's Company faces. In continues we will talk about how Intel Corporation uses strategic options to succeed in selling technological products in global market. Business Model Evolution of Intel Corporation is next part of subject that we will discuss about that. We describe how the Intel's company might enhance its products and services along with improving internal process. In addition, the way of Intel's company behave to develop products and entering into new markets, will be discussed. Finally, we discuss about recommendation to apply best IT support in order to improvement competitive advantage of Intel Company

## 2. Introduction

This document represents assignment1, which it is exploring business model and competitive strategy of Intel Corporation, where is a leading semiconductor firm along with moving forward at the edges of technology to make new products and services for better experiences in business and society. Since 1968, Intel has helped improve the lives, work and leisure of the people. Intel's work is at the heart of the Internet and drive the technology. Some significant products of this company are included components: personal and server computing, wireless computing, security, mobile phone devices, games consoles and home entertainment systems. Nowadays we use Intel's products almost anywhere like homes, offices, school, stores, hospitals, factories and so on. Integrated platform strategy in Intel's Company involves the development of several technologies to enhance and improve processor efficiency and effectivity, which allow computer users to take better advantage of multi-tasking, security, reliability, manageability and wireless computing capabilities.

### **3. Business Model of Intel Corporation**

#### **3.1 Intel - Market-Oriented Business Model**

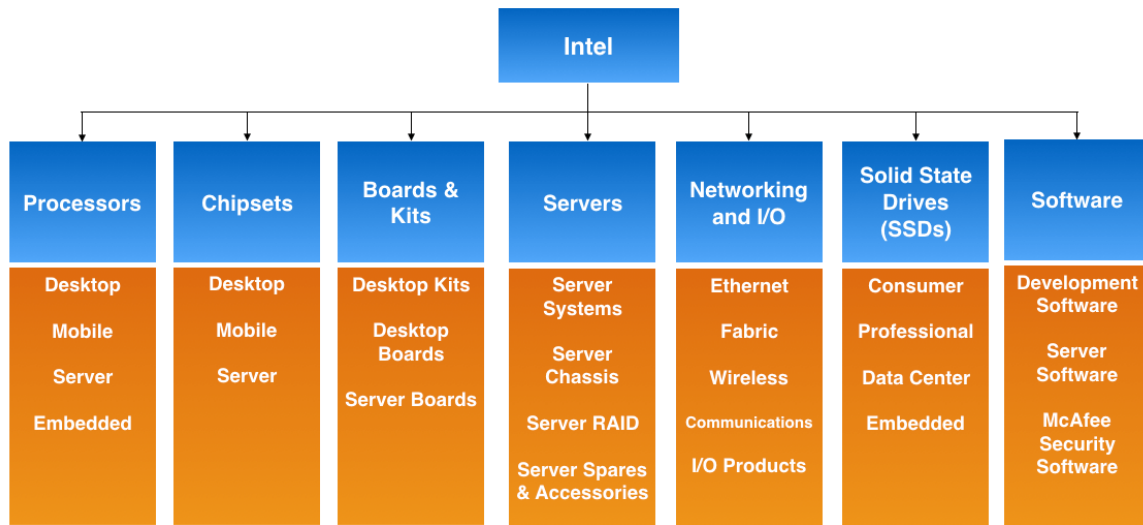
Intel - Market-Oriented Business Model focuses on analyses customer needs. After that, company develops products, which meet them. This approach is important because understanding about how people use technology in their lives, can help design team to better understanding what customer really needed. This company established at 1968 and it is headquarter located in Santa Clara, California. At the ending of year 2017, number of employees of this company throughout the world was 106000.

Smart solutions for develop products as low total cost, low power consumption and high performance products are the main reasons why customers are approaching Intel Products. As well as using advanced tools in order to improve customer service while increasing service profitability are some other value preposition in Intel's products.

Intel offers a wide range of semiconductor products where they are building separate blocks for computers, smartphones, tablets, servers, and networking products. Intel also sells software primarily focused on security and technology integration.

Intel provides computer chips for many different market segments such as notebooks, desktops computer, servers, wire and wireless connection and so on.

## Intel Product Groups



Picture1, Intel Product Groups. Source: <https://revenuesandprofits.com/how-intel-makes-money/>

### 3.2 Intel - Financially-Oriented Business Model

Intel earns its revenue mainly through the sale of its products. The table below shows a glance financial report in 2017.

Revenue	US\$ 62.76 billion
Operating Income	US\$ 17.93 billion
Net Income	US\$ 9.601 billion
Total Assets	US\$ 123.2 billion
Total Equity	US\$ 69.01 billion

Picture2. General Summary of Intel Corporation Financial 2017, Source: <https://en.wikipedia.org/wiki/Intel>

As you can see, in 2017, Intel generated a record \$17.93 billion cash from operations and returned nearly \$9.6 billion to shareholders.

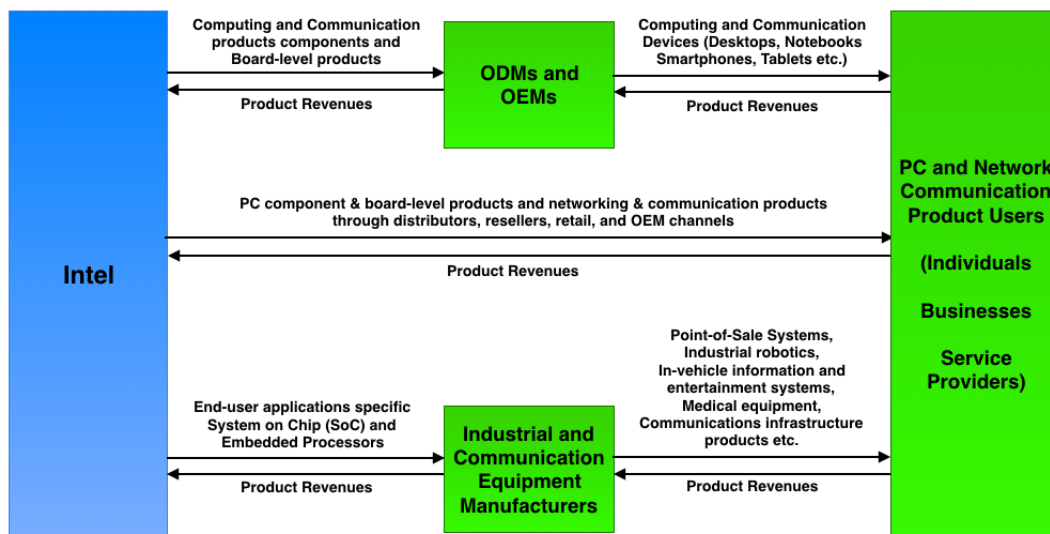
Intel sells its products as platforms to variety of costumer segments including:

- Original Equipment Manufacturers (OEMs) to produces computer systems, computing devices and so on.

- Original Design Manufacturers (ODMs) that provide design and manufacture products or services to branded and unbranded private-label resellers.
- PC & network communications product users
- Industrial and communication equipment manufacturers

The following picture shows how Intel make money through different customer segments.

### How Intel Makes Money?



Picture3, How Intel Make Money. <https://revenuesandprofits.com/how-intel-makes-money/>

### 3.3 Intel - Operationally-Oriented Business Model

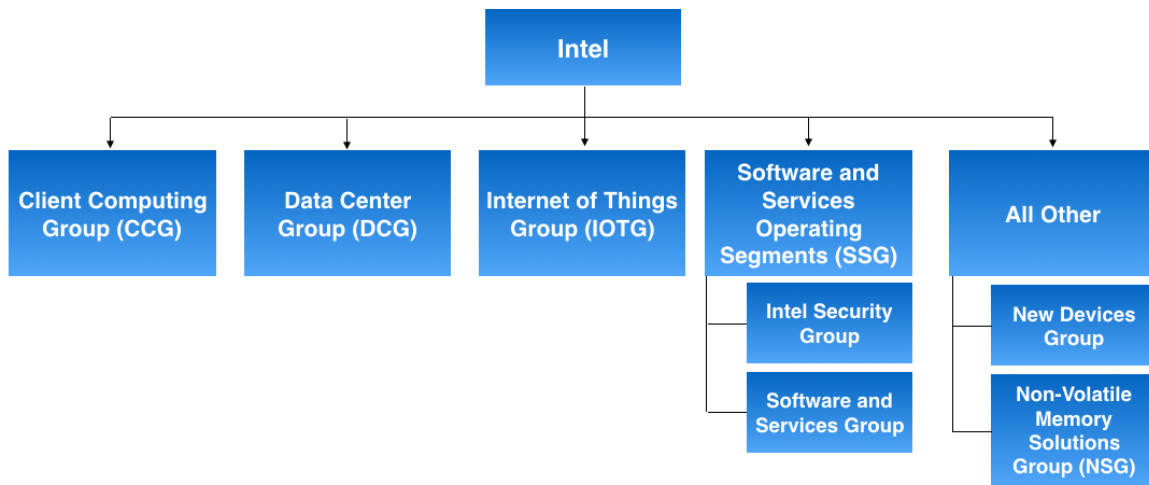
There are five major operating groups that Intel manages its business through them where included:

1. Client Computing Group (CCG). To produce hardware for pc, notebook , tablet, smartphone
2. Data Center Group (DCG). To produce hardware for server, network and storage devices
3. Internet of Things Group (IOTG). To produce platform designed for embedded market segments

4. Software and Services Group (SSG).
5. Non-Volatile Memory Solutions Group (NSG) and New Devices Group.

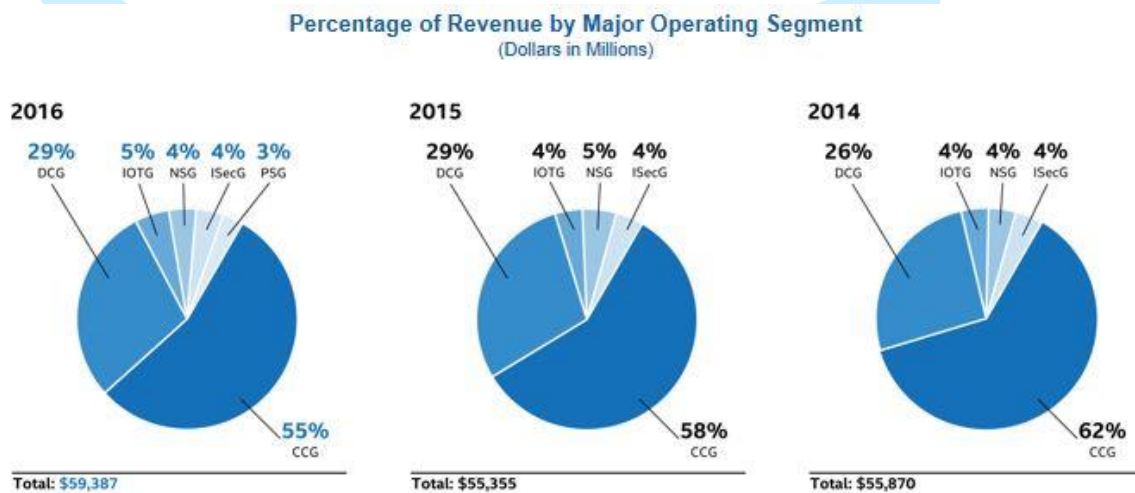
Following diagram shows Intel operating groups

### Intel Operating Groups



Picture4, Intel Operating Groups. <https://revenuesandprofits.com/how-intel-makes-money/>

In addition, following charts show percentage of Intel's revenue by major operating segments during 2014 through 2016.



Picture5, Percentage of Intel's revenue by major operating segments. Source:

<https://www.sec.gov/Archives/edgar/data/50863/000005086317000012/a10kdocument12312016q4.htm>

### 3.4 Intel - Competitive-Oriented Business Model

Intel is competitive and better than its rivals due; it is commitment to continual innovation and has huge investment in research and latest developments. Intel plans to take continued market leadership every year by development of new technology, new products or improving existing products and manufacturing processes. The company invests in R&D and manufacturing in order to set highest standard and quality. To achieve this certain level of standard and quality with lower cost is difficult or inaccessible for rivals to compete with Intel.

In order to protect its advantage it is essential that Intel registers intellectual property and patents in new product development. This registration is vital for Intel. This gives legal protection against copying by its competitors.

## 4. Competitive Forces and Challenges of Intel Corporation

### 4.1 The Rivalry of Intel's Competitors (Investopedia. 2016)

Intel has six distinct competitors by each operating segments.

- **Pc client:** Most significant rivals in this field are IBM and NVidia where IBM like Intel is multinational incorporation company and NVidia produces graphic processor and system-on-a-chip unit manufacturer.
- **DEG microprocessor:** A major competitor in this segment is Microchip Technology that produces memory, micro controllers and analog semiconductors.
- **DEG chipset and motherboard:** Advanced Micro Devices (AMD) is major rival where share the marketplace with Intel
- **Data center group segment:** significant rivals in this market segment include IBM, ORACLE, EMC corporation



- **Flash memory:** Microchip Technology and Micron Technology are two major competitors in this market.
- **Software services:** There are several significant company in the software services group such as cloud service provider Akamai Technologies (AKAM), Microsoft, Google and Hewlett-Packard.

#### **4.2 The Threat of New Entrants** (Ferguson, 2017)

The threat of new entry is a considerable issue in the semiconductor industry environment against Intel Corporation. This issue can address to high switching cost, brand differentiation and presence of high potential new entrants. This external factor can inflict against Intel. For example, Apple Company develops advance processor for Non-Mac computer and capture part of market share.

#### **4.3 The Threat of Substitutes** (Ferguson, 2017)

Substitutes can reduce the overall sales and performance of Intel Company, thus creating a threat to the industrial environment. This external force is, based on high switching costs, low availability of substitutes and low performance-to-price ratio of substitutes. For instance, laptop manufactures do not like switch from Intel's processor to substitute processor.

#### **4.4 The Burgaining Power of Buyers** (Ferguson, 2017)

Customers specify the volume of sales and profit of Intel's operation in a semiconductor industrial environment. External factors as high switching cost, low substitutes availability and low backward integration of customers all indicate weak force of the bargaining power of customers that means customer apply a weak force on Intel industry environment.

#### **4.5 The Burgaining Power of Suppliers** (Ferguson, 2017)

Business capacity and succeeded of Intel Corporation depends on suppliers' condition where they maintain such as raw materials for Intel industries. This external factor apply a force on the Intel Company. Due the suppliers have limited control on Intel supply

chain; the bargaining power of suppliers is a minor consideration in strategic decision-making.

## **5. Competitive Strategies of Intel Corporation** (Bhasin, 2018)

As mentioned before, the Intel business divided sub business including client-computing group (CCG), Data Centre Group (DCG), Internet of things group (IOTG), software & services group (SSG) and Non-Volatile Memory Solutions Group (NSG). On figure 4, we can see that 55% of the net revenue generated by CCG in 2016. To stay in technology leadership Intel Corporation takes different strategy approaches in order to achieve competitive advantage in the marketing. Integrated manufacturing set up and keeping standardized products are two key aspects of Intel strategy approach to achieve the company in controlling its operational cost, process quality, power consumption and product cost. As well as optimizing, the products help the company being in competitively with other rivals.

The next significant strategy that Intel Company follow is distribution strategy, which it points to using Intel different distribution channel for covering varieties of customers and products. Intel uses agency distributor, resellers, retailers and e-commerce to deliver products or services to end user.

Other important subject in the marketing strategy of Intel is Brand equity. Name of Intel indicates reputation on company products that represents quality, innovation and compatibility. It helps Intel for leveraging core competencies.

Market analysis is other significant key point in the marketing of Intel Company.

Changing customer needs, demand pattern, product life cycle, government policies are major effect, which shape the Intel industry environment.

## **6. Business Model Evolution of Intel Corporation**

The Intel Company for enhancing its products and services entered into multiple manufacturing and technology joint ventures to distribute the cost of manufacturing and technology development. Two majors Intel JV are with Micron Technology (MU) and China (MCHI) respectively to develop and manufacture memory chips and develop server chips.

Intel Company for improving internal processes to become more efficient or effective has more care about customer feedback and collaborative approach to process development. In addition, Intel has adopted A Guide to the Project Management Body of Knowledge as the foundation for project management.

## **7. Best IT Support of Intel Corporation**

My recommendation is that Intel should enter new alliances with mobile device manufacturers, for increasing adoption of mobile devices

Improving intergovernmental support for intellectual property protection is other IT support that Intel can benefit from government opportunities to develop appropriate legal protection.

Improving wealth distribution can create opportunity to improve its products and increase the buying capacity of more people.

For creating and maintaining a competitive advantage, it is important to increase production to bring product to market in large volumes as quickly as possible.

The cloud and the Internet of Things are the most important trend shaping the future of the smart, connected world – and thus Intel's future.

## **8. Conclusion**

Intel is one of the success stories of the high-tech world where manufacturer of microprocessors, integrated circuits, graphics cards and mobile phones. It provides vital components for personal computing. Now the company is moving forward into a range of new and exciting products and markets with a much stronger focus on marketing.

Adoption and invention of next-gen technologies have helped the company in improving its performances, features, controlling cost and energy efficiencies. An improvement in overall competitive advantage enables the company to deal with competition and the threat of new entrants.

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