Intel Inside

Case Study report

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# Key Marketing Issue

How to extend the success from PC market to mobile phone market? Intel had been so successful in PC market in terms of technology, product, and marketing, facing a new growing market of mobile phone, what’s Intel’s strategy?

# Alternative Solution A

Intel may use the same strategy just like what he had done in PC market. Intel may enter mobile phone with its strength in CPU technology, spreading “Wintel” alliance and adopting the same campaign of “Intel Inside” for mobile phone.

## Pros

* Easy to implement.
* Saving company’s resource.
* Quick.

## cons

* The features of CPU requested by PCs may not be applicable for mobile phones.
* CPU’s cost in mobile phones is only $5, very few in comparison with the other parts like Flash memory and Baseband chip
* The “Wintel” alliance may not work in mobile phone market
* If “Intel Inside” fails in mobile phone, the failure may impact Intel’s brand equity in PC market.

# Alternative Solution B

To enter mobile phone market, Intel should customize its product, customize its marketing campaign, and think about a different company organization specifically.

## Pros

* The probability of success could be higher.
* To keep revenue growing in the pace of what Intel had got in the past 10 years

## cons

* Specific products and specific marketing campaign will spend more resource.
* Because the culture and style of working for mobile phone chips may be different from that of PC chips, Intel may need to reorganize its organization for these two different markets.

# Recommendation

Solution B is recommended

## Quantitative analysis

* From Exhibit 8 and Exhibit 13, we find the CAGR of Desktop in recent 6 years(1995-2001) was 11%, down to 9% in recent 4 years(1997-2001). For Laptop, the CAGR during 1995-2001 was 19%, down to 18% in 1997-2001. For server, which had better growth, the CAGR also down from 25% in recent 6 years to 19% in recent 4 years. That means the growth of PC and server market, which occupied 71% of Intel’s revenue, was becoming flat.

|  |  |  |
| --- | --- | --- |
|  | CAGR(1995-2001) | CAGR(1997-2001) |
| Desktop | 11% | 9% |
| Laptop | 19% | 18% |
| Server | 25% | 19% |

* The CAGR of Intel’s revenue during 1991-2001 was 19%, according to Exhibit 1.

|  |  |
| --- | --- |
|  | CAGR |
| **Revenue(1991-2001)** | **19%** |
| Desktop(1997-2001) | 9% |
| Laptop(1997-2001) | 18% |
| Server(1997-2001) | 19% |
| Mobile phone(1997-2001) | 38% |
| PDA(1997-2001) | 115% |

* To keep the pace of growth rate in revenue for the future, Intel must look for another growth engine. Mobile phone was selected because of its growth rate (38%) and huge quantity (390 million mobile phone vs 92.9 million PC in 2001).
* PDA, although with high CAGR of 115%, was out of list for its small quantity (only 12.8 million units in 2001)
* Intel can pursue reference design(CPU), Flash memory, and Baseband chips in mobile phone, which resulted in $55 contribution in each unit of mobile phone. Assuming 25% share in phone market, in 2001, Intel would have $5.363 Billion of revenue from mobile phones, the simulated revenue is shown like the chart below.

|  |  |  |  |
| --- | --- | --- | --- |
| Reference design | $5 | Mobile phone market (Mea, in 2001) | 390 |
| Flash memory | $20 | If Intel shared | 25% |
| Baseband chips | $30 | Mobile phone with Intel chips (Mea) | 97.5 |
| Total | $55 | Revenue contribution from mobile phone(M$) | $5,363 |

## QuaLitative analysis

* Different feature required: For CPUs in mobile phones, power consumption became top important, while performance was the top priority in PCs. Intel’s competitors TI and Qualcomm whish used ARM’s IP were good at low power.
* “Intel Inside” may not work: Intel had dominant position in PC market(80%),the advanced technology and market share made “Intel Inside” successful. However, in mobile phone, Intel did not have such a strong position (1%).
* Reorganization to enter the new market: Think how IBM entered PC market while it was a mainframe company? Build a special project group out of the current organization and directly reported to CEO. Intel may consider to create another organizational structure to boom chip business for mobile phones.

# Implementation Plan

* To build a special new group to focus on the chip requests for mobile phone.
* The new group, called Mobile Phone group, will integrate CPUs, Flash memory, and Baseband chips and have specific R&D, product, and marketing functions targeting at mobile phone.
* The integrated CPUs, memory, and Baseband with reference design will shorten customer’s lead time to launch a new model of mobile phone, Intel will penetrate mobile phone market by this “integrated solution” strategy.
* Do not use “Intel Inside” campaign, which made customers think of only CPUs and PCs. Figure out the other marketing campaign like “Integrated Solution Provider” for mobile phone makers.
* Ally with more Operating System providers in addition to Microsoft Windows, which including NOKIA’s Symbian, Apple’s iOS, and Google’s Android.
* Offer reference design boards to selected mobile phone makers at free charge and free training, assigning engineers and product marketers to visit them periodically. The purpose is to build close relationship with mobile phone makers and to shorten their lead time to market.