



# Creating Platforms and Ecosystem

Presentation of Jeffrey P. McCrea  
Vice President, Intel Corporation  
Federal Trade Commission/Department of  
Justice Hearings on Single-Firm Conduct  
October 26, 2006

## The Upgrade Dilemma

- To grow sales in mature PC markets, Intel needs to create incentives for consumers to upgrade
  - Shorter upgrade cycle means more microprocessor sales
- Getting customers to upgrade more often requires development of new usage models that increase the benefits of ownership
  - Customers will upgrade to get a highly desirable capability that their current system does not have
- Developing complementary technologies that enable new usage models has been a longstanding Intel strategy for driving new microprocessor sales



## Case Study: Centrino® mobile technology

- Centrino mobile technology (CMT) is a case study in the development of a platform of complementary products to drive a new mobility usage model
- CMT includes an Intel microprocessor, an Intel chipset, and an Intel wireless networking card
- Intended to create demand pull for mobile processors and increase sales of higher valued processors
- CMT delivered a new usage model – Thin and light notebook PCs with high performance, long battery life, and the ability to connect wirelessly



## Why a Platform

- Platform approach is necessary to deliver all vectors of new usage model of mobile computing with wireless connectivity
  - Microprocessor with desktop-like performance and long-battery life, power-optimized chipset, *and* wireless connectivity to enable mobility usage model
- Platform ensures that ingredients work with each other and connect with “validated” routers and access points
  - Millions spent on validation and interoperability testing to ensure ease of use
- Platform branding was required to effectively communicate the platform promise
  - Platform brand delivers a crisp consumer message: To get unwired, look for Centrino mobile technology



## What Platform Delivers

**High  
Performance**

**Performance  
Remains  
Top  
Purchasing  
Criterion**

**Seamless  
Wireless  
Connectivity**

**Seamless  
Wireless  
Connectivity  
Going  
Mainstream**

**Long Battery  
Life**

**Wireless  
Makes  
Battery  
Life  
Critical**

**Innovative  
Form Factors**

**Wireless  
Increases  
Need For  
Greater  
Mobility**



## The Need to Build an Ecosystem

- To succeed with the wireless computing message, Intel had to create an ecosystem of wireless hotspots in airports, hotels, and retail establishments
  - Hotspots may be pervasive today, but weren't common before CMT
- Consumer value proposition was much stronger if wireless connectivity became commonplace
  - Large Intel investment to enable hotspot partners
- Platform branding helped to create the ecosystem by demonstrating to hotspot partners that Intel would promote wireless capability to new users
  - Helped create a revenue stream for service providers to recover infrastructure investment
  - Large advertising budget for CMT created demand and signaled commitment



## Challenges in Delivering a Platform

- Would the platform make the new microprocessor a greater success or hold it back?
  - Intel had a revolutionary new microprocessor for the CMT platform (Pentium® M processor), but little experience in wireless communications
- Do the technological challenges pose a risk to the strategy?
  - More challenging to deliver all three elements of the platform than to deliver any one alone
- What brand should be emphasized?
  - Emphasis placed on the platform brand to avoid a mixed message, but this was a large bet on both wireless and the overall platform taking off
- Will investments in creating the ecosystem pay off?
  - Large spending on hotspot enabling, co-marketing with ecosystem partners, interoperability spending, and advertising



## Resolving the Challenges

- Decision: Benefits of mobility platform outweigh risks
  - Bet that mobility platform would be bigger seller than a good new notebook CPU alone
  - Bet that wireless group would deliver a good product on first try (and keep up with pace of innovation)
  - Bet that platform would succeed and lead to increase in sales of high-valued performance processors
- Complex task to manage progress on engineering, ecosystem creation, brand development, marketing, and sales fronts to get ready for launch



## CMT Platform Gamble Paid Off



- CMT turned out to be a phenomenal seller, providing strong uplift to microprocessor sales
- Wireless computing became ubiquitous in less than two years
- “Centrino effect” lifted demand throughout industry

