Case Analysis

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Executive Summary

The microprocessor industry has seen a very fast pace of changes over a period of time. These changes have forced the companies to take certain corrective measures. The focus of the companies should be the products as well as the customers. The company that will successfully focus both the aspects will win the competition. Under the leadership of Ruiz, AMD has started the journey in the right direction in this regard. The payoff of the strategy is still awaited.

**Case Analysis**

# Background

The considered industry is involved in the semiconductor production. They are basically involved in the processing of semiconductors. The market is dominated by the US, Japan and South Korea. This industry is prone to an intensive research and development environment. The main competitors that are in the market are Intel and AMD. The below lines discuss the business case in which we see the various aspects of the industry, competition, products, sales and all the relevant features of the industry.

The company that has been chosen is Advance Micro Devices (AMD). First of all we will discuss the key partners in the scenario. The company had been working along with some of the biggest names in the computing industry like Intel etc. Intel Company had a successful product in the market in the form of its 64 bit microprocessor. The competitors of Intel saw AMD as an opportunity to work with. The AMD Company was playing a second role to the Intel Company. Whenever the company tried to take up some of the market share from the company, Intel Company returned with a major price cut.

# The Product

The product under consideration is Opteron which is seen by the company as a microprocessor. There were three versions of the product, 1 way, and 1 to 2 way and up to 8 way. The product was made to fulfill the current and future business needs. The main purpose of the product is to reduce the costs and designing problems of the servers. This also increased the scalability of the servers.

The product was also aimed at solving the problems that the user faced during the input/output processes. The system also provided higher speed on the bandwidth. This option helped the users with better picture quality and faster system. The hyper transport technology that was used in this system helped those applications that required higher speeds. The technology reduces the number of systems in the topology. The high speed computing services were provided without the sacrifice on current code base. The memory provided was larger than the previous systems. The network side of the companies also benefitted through this product

# Marketing mix

## Product

The product is the processor that was basically made in the competition of Intel Company. These processors were designed to provide higher speed and scalability to the customers. The product also helped the people working in the networks field. It was a 64 bit processor that competed with the one that was made by Intel.

## Price

The price of the product was a bit lower as compared to the processors offered by the competitors. The average price of the AMD processor was $ 500 while that of Intel was $ 2500. This huge difference in prices made the company a better choice for the customers. If we talk about the pricing strategy, the company is using the penetration pricing strategy that helped the company to attract the customers towards the product due to lower prices. The overall price structure of the company is varied. The customer will not bother whether the cost of the company to produce is higher as long as he is getting a reasonable price. The company also forecasts the amounts of goods that the customers will be buying at a reasonable accuracy. These estimates are used by the company to assess whether it should go ahead with the entrance in the high end market of the processors.

If we talk about the pricing strategy, the company is trying to create a price difference between itself and the competitors. This strategy may not work for long because the competitor is a huge company, it can cut down its prices anytime and if it can cut the prices at the level of AMD Company, the latter company will lose the price advantage. The company should go for the competitive pricing strategy that will help it to generate more value from sales and also it will eliminate the hazard that the competitor will cut down the prices.

## Promotion

The company does not spend a lot of money on the traditional advertising because the major customer of the company is not the consumer directly. The company primarily sells the product to the computer companies that use it as an input to their systems. The company advertises mainly by supporting the gaming aspects at the school functions. The company also notices the trends that are shown regarding the gaming aspects. Thus the company tries to note the demand in the market.

If we talk about this strategy, we can see that the Intel Company which is the main rival of AMD is running some advertisements for the direct targeting of the general public as well. Thus this company is not getting to the full potential in this regard.

## Placement

The company is basically working from Santa Clara and is distributing the products made to all parts of the world. The company has its presence in more than 63 nations in the world. The company aims at improvements in the distribution systems.

## Activities

The AMD Company had started to anticipate some positive changes in the environment. The internet had increased the demand for the fast processors. Intel had joined hands with HP to make an all new series of microprocessors. The difference in these and the older versions was that the older versions handled the data in form of 32 bits packets. The current processors were made to process data in packets of 64 bits. The problem that was ignored by the company was that the software used to run the new microprocessors had to be written again. The customers did not want to enter into a space of writing new software. As a reaction to Intel, AMD made its own 64 bit microprocessor in 1998. The product made by the company was better as it did not require the up gradation of the software to run.

## Results

The company started grabbing the market share that was initially very low. The company grabbed almost 7 % share from the market in a short period of time. The competitor announced that the demand is slowing down but AMD had not seen any indications of that happening. The company grabbed half of the PC market in the USA. The technology giant Microsoft had settled the systems to accommodate the AMD chips in them. The company also worked with the Intel processor but was not ready to go with only one company. The programs worked better on the 64 bit chips than on the 32 bit chips. All the major companies offered their systems to be adapted to these microprocessors. The examples include the Linux maker Red hat company. The large companies dealing in the microprocessors were also interested in the purchasing of the new product. Other companies like the Sun systems and HP also started to work with the opteron systems. The biggest company in the market named Dell also had shown signs that it will switch over to the products offered by the Company. In the year 2003, IBM announced that it will be sharing the systems and support with AMD Company. The Microsoft Company also shifted the course of action from Itanium to the opteron systems.

The company founder had now become aged and he had found Hector Ruiz as the new leader of the company. The old leader also had been under pressure from the board. The both people had worked together at Motorola Company and Sanders had seen that Ruiz was going to be the most appropriate person to follow him.

When Ruiz joined in, the company was not going through the best of times. The new leader cut off the workforce by 5000 immediately. Some of the factories were closed and the major focus was on the cost cuts and getting the things done from the outside.

The management style also changed with the change o0f the leader. Ruiz had a style that was opposite to that of Sanders. The employees were involved in decision making to a certain extent. The communication was open from top to bottom and vice versa. Sanders was considered an Autocratic leader. He did not involve the employees in any of the decisions taken by him. Rather he took the decisions all by himself. The company was considered a risky aspect in the time of Sanders. The stance taken by the new leader was completely opposite. The new leader listened to the employees before taking any decision.

The major focus of the company under the leadership of Ruiz was to make the customers happy and satisfied. The new leader made a lot of new alliances with the companies that were in the similar businesses.

# What is ahead?

The company changed the customer base form individuals to the corporate clients. There were certain changes in the techniques used by the company for making the products. The company focused on the new products like the dual core processor for the computers. The same kind of innovation was planned by Intel but AMD was hopeful to hit the market much earlier than the competitor will do (Folk, 2006).

The company also made some products that were compatible with the Apple products. The aim of the company was to target the upcoming mobile market and the company believed that it will be able to capture the mobile market with its microprocessors.

The results of the changes put in place by Ruiz had started to show. In 2004, the company gained a full percentage point on the competition when considering the market share in the microprocessors market.

# Revenues

The company earned a good percentage of the revenues from the flash memory chips. The prices of the stock of the company jumped down when the company announced a decline in the expected revenue collection. In this period, the company lost $ 30 million in terms of loss on sales. The company raised the sales of the microprocessors by 26% but the company had a very bad time in the flash memory aspects.

# Customer Segments

The company catered the companies and individual customers but the company catered the corporate customers on the priority under the leadership of Ruiz.

# Value proposition

The value proposition is based on the adaptability of the products and the ease of the usage. The customer does not compare the products on the prices. The main comparison aspect in this regard is the various benefits that the customers get in terms of usage and adaptability. The price can only be a part of value proposition process but it is not the complete aspects of the value proposition at least in case of the microprocessor aspect. The main value proposition of the company was the fact that the company had built a microprocessor that did not require any changes to the software to run.

# Customer Relations

The Intel Company has led the industry for a large number of years. The AMD Company has played the second fiddle to it. The reason behind this is that the Intel Company has done aggressive advertising on the various channels keeping in view the financial power of Intel Company. The major aspect that had to be seen by the companies was the shorter life cycles of the products offered by the companies.

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