Intel:

Brand Hierarchy, Migration, and Reinvention

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1. What were the strengths and weaknesses of the *Intel Inside* campaign?

The most obvious strength of the *Intel Inside* campaign was in its initial ability to differentiate Intel's offerings of microprocessors from the myriad of others using the same "386" or "486" common designation. In fact, since neither of these chip names were trademarkable, any technology thought to be proprietary was subject not only to intense competition but imitation. According to Keller (2008), "Establishing a unique identity for Intel was considered the best way not only to distinguish Intel products, but also to communicate the depth of Intel as a corporation with respect to its competitors" (p. 4). Effectively, without industry brands, microprocessors were destined to become analogous commodities rather than highly individualized goods. By using ingredient marketing, Intel was able to utilize unique brand associations and achieve top-of-mind awareness among consumers.

Not only was the *Intel Inside* campaign able to create widespread awareness of Intel's expanding product line but it helped to create a strong sense of loyalty for the brand. Recognizing a shift in the industry environment toward home PC users, Intel utilized a clever "pull" strategy to create a highly desired and asked for product. According to Keller (2008), "Consumers did not think about the components inside the computer. By shifting its advertising focus to the consumer, Intel hoped to create brand awareness for Intel and its microprocessors, as well as build brand preference for the microprocessor inside the PC" (p. 2). In short, where Intel was once concerned about creating awareness for its products, they were now focused on forging important consumer attitudes—something that had not yet been done in the microprocessor product category. As a result, and with little established competition, the Intel microprocessor essentially became the single most important element during PC purchase consideration (Keller, 2008, p. 4).

Unfortunately, this approach in directly targeting consumers was seen by some PC Original Equipment Manufacturers (OEMs) as an affront to their own business objectives. Intel, a pioneer of ingredient marketing, was viewed as taking advantage of the reputation of top-tier OEMs by leveraging these influential partnerships for personal gain. The cooperative advertising program extended to OEMs was intended to be a mutually beneficial enterprise. However, worried that their own brand equity would soon become diluted and their points of difference, points of parity, notable manufacturers were reluctant to oblige (Keller, 2008, p. 5). Without initial support from top-tier OEMs in IBM and Compaq, Intel risked potentially undesirable associations with lesser-known manufacturers. In fact, collaborating with these smaller manufacturers did little to improve overall equity for Intel. Mediocrity was not a desired image for the microprocessor company; exclusivity was. If anything, these agreements benefited the no-brand discount PC makers only, who, understandably, were quick to align themselves with the premier name in microprocessor production (Keller, 2008, p. 5).

Without buy-in from top manufacturers, Intel could not succeed in their portrayal of a premium brand. Encouraging a “if it’s good enough for them, it’s good enough for me” consumer mentality was a tactic important in widespread adoption of the microprocessor. Intel needed participation from these top-tier OEMs to add clout and credibility to the brand, which, in turn, would protect hard-fought equity and deter harmful competition. This initial period of detraction ultimately hurt Intel, though, and allowed for subsequent innovation wars with closest rival AMD (Keller, 2008, p. 12). Convincing consumers that what was inside the computer was as important as the computer itself was paramount to growing the Intel brand. But so were good relationships with manufacturers. This inward as opposed to outward (public) facing problem contributed to, at times, poor mass-market distribution and unused inventory.

2. Evaluate Intel's segmentation strategy. Is having a good/better/best product line (Celeron, Pentium, Xeon) the best positioning for Intel? Should they discontinue a line(s) and focus on other(s)?

Intel's segmentation strategy focused on optimizing market share at all levels of the demographic economic spectrum. Having first lost some ground to closest rival AMD with regards to innovation and performance, Intel initialized its segmentation strategy as a counter measure to reclaim the low-end market (Keller, 2008, p. 12). With emphasis on price—selling somewhat inferior product inexpensively—the microprocessor company sought to compete where it perceived it would have a competitive advantage. Indeed, with its more affordable Celeron microprocessor, Intel, thought to be well poised to take on the sub-$1000 PC category, eventually earned 62 percent market share in this lower-level (Keller, 2008, p. 12). However, with most of its profits from sales of its two upper-level processors—Pentium and Xeon, respectively—Intel's product line seemed invariably lopsided. Furthermore, with its low margin for return (Celeron retailing as low as $63) and an image skirting substandard and slipshod, such segmentation seemed unsustainable if not inadvisable.

This fragmentation—a blanket strategy for saturating the market as category leader—was generally inconsistent with Intel's core brand promise of providing premium, top-notch microprocessors. According to Keller (2008), "Core brand associations are those abstract associations (attributes and benefits) that characterize the 5 to 10 most important aspects or dimensions of a brand. They can serve as the basis of brand positioning in terms of how they create points of parity and points of difference" (p. 121). Although in competition with AMD to create the "fastest chip" on the market—a title whose ownership changed regularly—Intel's long-held and storied reputation for creating quality microprocessors never waned. In fact, with its history as being the undisputed market leader—an experiential-based competitive advantage—Intel's significant points of difference were never truly threatened (even as innovation, increasingly, became considered a point of parity in the product category). Intel's good/better/best product line effectively sabotaged consumer-based brand equity earned as a result of the brand's earliest positioning. In exhausting every possible market segment, the microprocessor company had become less concerned about overall performance in the interest of price. In turn, they were no longer good at any one thing, just adequate in all things.

While a company's product extensions can improve the strength, favorability, and uniqueness of brand elements for the parent brand, these new associations were infringing on the favorable ones that had, over time, built positive brand equity for Intel. This addition of a "discount" microprocessor had the real potential to confuse consumers. Past associations of quality were in jeopardy of being discredited. Indeed, any indication that performance had been the least bit modified and consumers (hard-core loyalists and split loyalists, especially) might defect. According to Keller (2008), "Moving from the current brand image to the desired brand image typically means adding new associations, strengthening existing ones, or weakening or eliminating undesirable ones in the minds of consumers" (p. 131). At the risk of ruining years of positive brand equity, it would have been wise for Intel to consider discontinuing or altogether eliminating the Celeron brand. Perhaps under a different name—a sub-brand with no direct connection to the parent—Intel's "discount" line extension may be better received. However, for the reasons noted above, focusing explicitly on premium brands Pentium and Xenon would have most excellently aligned with an already established brand positioning based on learned and widely accepted associations.

3. Suppose you were the Chief Marketing Officer for AMD. How would you propose the company position itself to better compete with Intel? Would you propose that AMD institute an "Inside" like advertising campaign?

AMD would best position themselves as an affordable microprocessor alternative to Intel. Intel, as previously mentioned, has all the markings of a superior brand built on a substantially stable reputation. Strongly held associations of quality, performance, leadership, and reliability make it difficult for AMD to penetrate this premium microprocessor market without significant investment in external resources. Likewise, this level of exclusivity and resinous name recognition make it equally difficult for Intel to exercise any downward expansion without some consequence of positional sacrifice. As a challenger to the market leader, AMD could use a flank attack strategy and compete with Intel on the basis of price with some less obvious compromises on quality (but still satisfying the minimal level of functionality required by consumers—a product category point of parity). According to Kotler and Keller (2012), "A flanking strategy is another name for identifying shifts that are causing gaps to develop, then rushing to fill the gaps. Flanking is particularly attractive to a challenger with fewer resources and can be more likely to succeed than frontal attacks" (p. 306). Better situated than Intel to have infiltrated the sub-$1000 PC category in early 2000, AMD could strive to carve out a niche in the decidedly growing consumer computer market.

The determined and well-intentioned lack of ingredient branding would not only save AMD on overhead but partnering OEMs as well. With a desirable advertised price point and an added manufacturer incentive of freedom of brand ownership (packaging and otherwise), AMD would effectively engage in a more traditional form of B2B marketing. Utilizing a primarily "push" strategy would ensure that OEMs' own attempts at branding would not be thwarted. Akin to a private label, AMD would essentially leverage any secondary associations with the PC manufacturer (and to a lesser extent retailers). It is in this opportunist sense therefore—understanding the competitive frame of reference—that provides sufficient differentiation capabilities for adversary AMD.

References

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