OBLIQUE PERSPECTIVE

Gonzo Marketing

Defeatured Canapés, Teflon CPUs, and Other Business Apocrypha

By John Wharton, Applications Research

Press conferences can be a drag. By the time a press release or speech has been approved for public consumption, it's been filtered, polished, and sanitized so much that the company's true character is gone. Take Intel's i486DX2 rollout: other than to announce the availability and ordering codes of a few more 486 family members and to demonstrate a DX2/50-based PC running Unix programs faster than a SPARCstation 2—a none-too-subtle hint of what the next 486 battleground will be—the formal part of the event was rather dry. Far more revealing was the press reception afterwards.

The Parable of the Ham Canapés

The food at Intel press buffets is always superb. Here, in addition to the usual jumbo shrimp and pork balls, there were tray after silver tray filled with finger-sandwich canapés: salmon with cream cheese and capers, roast beef with baby onion rings, turkey with cranberries on lettuce, and thick slabs of ham topped with jalapeño peppers, all in neat alternating rows.

The trouble is, no one was eating the ham. Long after the other sandwiches were gone, the ham canapés were still there, a fact made painfully obvious by their long unbroken diagonal stripes. The hotel staff couldn't very well cart away trays containing 25% (by exact count) of their original contents, so the sandwiches just sat there, untouched, wasting space on the tables.

Enter Intel Person X, a marketeer who'd helped arrange the event. I pointed out the embarrassing state of the trays. "With all the raw marketing talent in this room," I said, "I'd think you could find some way to get people to eat the ham."

"It's probably the jalapeños," Person X replied. "People are probably afraid they're too spicy. Maybe we should have the staff take the peppers off and see if demand goes up. And give them a new name, while we're at it—how about the *Ham Canapés-SX?*"

Cute—an allusion, perhaps, to an old column about defeatured fast food and sports cars (*µPR* 5/15/91 p. 16). A little later I bumped into Intel Person Y, a high-level executive and veteran of many CPU wars, and recounted the Ham Canapé Conundrum. "Marketing suggested taking off the jalapeños, giving them an SX suffix, and seeing if demand doesn't rise."

"You may have something there," he smiled, glancing at the food. "But if taking the peppers off the canapés increases their perceived value, shouldn't we be able to *start charging people money for them?*"

Also very clever—and very Intel. Along wandered Person Z, another old-timer, and I repeated the story again: "Marketing said you should take off the peppers and call them Ham Canapés-SX, and Management said then you could start charging people to eat them!"

"I have a better idea," Person Z replied with a grin. "Couldn't we just *tell people* we took off the peppers?"

Creativity in the Trenches

Okay, so each of these exchanges was meant as a joke, a reaction to past *µPR* critiques of Intel's product defeaturing and renaming schemes. They probably don't reflect Intel's official policy on press buffets. The point is that Intel people really seem to *enjoy* their work, and show tremendous creativity and business savvy at all levels. As a result, Intel has long been known for effective product introductions, clever business strategies, and truly audacious ads.

It was Person Z, in fact, who years ago stumbled upon the "defeature-and-rename" strategy that's become a common Intel practice. A complex new CRT controller wasn't selling as well as its simpler competition, in part, Person Z suspected, because most users didn't need its more sophisticated features. So he created a new part number, rewrote the data sheet to omit certain functions, and sales of the "new" part took off. (Intel later licensed Siemens to second-source *each* of the two parts. The negotiators were just as surprised as Siemens to learn they'd sold the same rights twice!)

And at the height of the 16-bit microprocessor wars, it was Person Z who proposed a sales brochure designed to engage readers in an all new way. "The Competition Stinks," the brochure cover read. "Here's Proof." Inside a set of vile-smelling scratch-and-sniff patches would represent "Brand M" and "Brand Z" (remember Zilog?) CPUs. Only by choosing Intel, a third patch would show, could designers come out "smelling like a rose."

This brochure never saw print, but some equally audacious campaigns have. It was Intel, after all, who began

actively trashing the 286—at a time when Intel was still *the world's leading vendor of 286 processors!* It was Intel that conceived the famous "vacancy" ads, creating demand for PCs in which *the most important pieces were missing!* It was Intel who ran CPU ads in mass-market magazines, on prime-time TV, and during the Super Bowl—when *there was no way the people who saw these ads could buy an Intel CPU!*

These latter ads and the ubiquitous "Intel Inside" campaign deserve special recognition. Brand-name promotion ads aren't new, but most have some kind of tie-in to an end-user product. GE corporate ads also promote GE appliances, and Dow ads promote (albeit indirectly) oven cleaner. The "Intel Inside" ads, in contrast, promote demand for PCs—*anybody's* PCs—in which Intel-brand parts are installed.

End-user advertising isn't often used for products end users can't buy directly. The best examples I can think of are Teflon, Dolby, and NutraSweet. It doesn't matter who makes kitchenware, tape decks, or soft drinks, such ads imply, if name-brand components are inside. Shoppers tend not to spend extra for expensive Teflon pans if they think cheap Teflon pans are as good.

The "Intel Inside" ads are supposed to boost end user confidence in the big-name PC vendors who run them. A side effect, though, is to boost the credibility of any low-margin clone vendor who also uses Intel parts, thus reducing the front runners' market share. This is good for Intel, of course, but bad for IBM, Compaq, and Dell. And here's the really inspired part: the very ads that help undermine the sales of the front-runner PC vendors—nearly 9000 pages' worth so far—*are being paid for by these same vendors' money!* Who but Intel could ever have thought of that?

Too-clever marketing can sometimes backfire (cf. *Coke, new*), but Intel's track record is unblemished.

Technology as an Enabling Technology

With most other chip vendors I just don't sense the same level of marketing savvy and creative freedom. Most vendors' strategies seem singularly uninspired; witness Cyrix's efforts to persuade designers that even though their CPUs are cycle-for-cycle slower than Intel's, cranking up the clock rate can make up any difference (µPR, 6/17/92 p.1). At most press events the presenters seem nervous, defensive, or both, as though even they aren't convinced their parts are for real.

These other vendors' lack of conviction is all (I suspect) with good cause. More and more often it seems also-ran hardware and grand-illusion software is announced long before it exists, and for certain before it's for sale. It's hard to sound convincing about things you don't believe yourself. It's hard to focus on long-term goals when your short-term tactics are unproven.

Success breeds success, but technology does, too. Psychologist Abraham Maslow once proposed a hierarchy of human needs, for which each of the needs at a lower level must be satisfied before one worries about needs up above. You've got to be able to breathe, so he said, before the desire for food starts to matter. You need to feel warm, safe, and secure before philanthropy and the need for self-actualization can emerge.

It's the same with microprocessors. You need to have strong process technology before you can start to design new components. You need to be able to meet the demand you've already got before you can concentrate on building new markets. And you need to have all of the basics down pat before you can start to worry about how best to exploit markets that don't yet exist.

For Intel, the technical underpinnings of success are assumed. Their design talent, process technology, production capacity, and yields are all world class; witness the fact that the three-million transistor P5 could be sampled in first silicon, and that Intel can sell eight-million-transistor flash memories for under $30. You can't slash prices to stimulate demand unless your margins are good all along. You can't start to pipeline design teams (the P6, by the way, is already half done) unless you know your designs will all work. Is there anyone in this entire industry who really thinks AMD and Cyrix can build CPUs more cheaply—or that run faster—than Intel? If an all-out price war were to start (FTC willing), does anyone really doubt who would win?

Mixed-Mode Marathons

I've long had this image of the microprocessor business as a marathon footrace, with competitors struggling to keep markets they've got. On occasion a fresh face surges forward, then tires out and falls back.

And way up in first place you see Intel, on a bicycle, pedaling leisurely in front of the pack. They never get too far ahead, lest the others lose faith and drop out. Sometimes they even lag back just a bit—choosing not to sell their latest, fastest parts—just to boost the stragglers' morale. But at the end of the day, when the finish line approaches, Intel breaks away to win.

Except the marathon is never over. Each morning a new race begins, and each evening the winner's the same. While the runners tend to their blisters and rest, Intel parties down with jumbo shrimp and pork balls. And at dawn as the tired runners hobble back to their feet, a well-rested Intel rides off. There was just a little excitement, back when, when some of the younger runners began wearing rollerblades: reducing the number of parts, they said, would make skates more efficient than bikes. But the foot-bound runners still haven't a prayer against the bike rider's well-tuned machine. Still, hope springs eternal, new runners join in, and the lopsided footrace slogs on.

Footnote: I've used this analogy for years, but it took on new meaning after a story in the June 1 issue of *Business Week*. Craig Barrett, who built Intel's production machine into what it is today, is expected to become CEO when Andy Grove retires. And guess what Barrett's hobby is? Riding in bicycle marathons. ♦