

Intel fights to keep customers from defecting

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Some of chip colossus Intel's biggest customers and partners are exploring a competing microprocessor design, signaling the start of a much-anticipated tech donnybrook that analysts say could trigger a dramatic shift in the computer industry.

At the same time, the clash between Intel and its chip challengers could prove a boon for consumers, as it fills stores with a greater array of gadgets and creates added pressure to keep prices low.

Hewlett-Packard and Dell, which account for a third of the Santa Clara, Calif., giant's sales, are considering using chips in some devices based on British firm ARM's energy-efficient design. Intel's longtime collaborator Microsoft just announced it will sell an ARM tablet. And some analysts believe Apple - which already uses the British-designed chips in its [iPhone](#), iPod and [iPad](#) - also may use them in its laptops, which now run on Intel circuits.

Unwilling to yield sales without a fight, Intel is pushing hard to move beyond personal computers and get its own chips into smartphones and other devices dominated by its competitors. But if it suffers significant customer desertions, some experts say, its iron grip on the [microprocessor market](#) could be weakened.

"It's starting to get interesting," said Mike Feibus of TechKnowledge Strategies. "Everything that we sort of knew and took for granted is being thrown out the window."

Life for Intel used to be much simpler when computers were big, clunky contraptions and phones were just for chatting. Its processors, which employ a design known as x86, were dominant in PCs and Microsoft's popular [Windows software](#) ran exclusively on x86. But the business has changed.

While [worldwide sales](#) of PCs this year are expected to grow by less than 5 percent over 2011, according to the [Gartner research](#) firm, sales of smartphones and tablets are expected to jump by 39 percent and 98 percent, respectively. But nearly 100 percent of those small mobile device use ARM processors, primarily because those circuits are more power-efficient - an advantage Intel is trying hard to erase.

Intel recently announced its chips are being built into three smartphones, more than 20 tablets and a variety of tablet-laptop hybrids dubbed ultrabooks. At the same time, ARM chipmakers - which include Nvidia, Texas Instruments, Qualcomm and Samsung - are seeking to move into servers and personal computers, Intel's turf, using a new version of Windows that runs on their chips.

While analysts have predicted the rivalry between the two chip camps will flare into all-out war in the next couple of years, Intel spokesman Jon Carvill said his company isn't overly concerned.

"Our view when working with our customers is to build the most compelling products with the best hardware and software, rather than worry about what our competitors may or may not bring to market," he said.

Nonetheless, Intel can't be happy about the prospect of its customers straying from its fold, said Nathan Brookwood of the market consulting firm Insight 64.

"Of course they are worried about it," he said, adding that at Intel, former CEO Andy Grove's legendary "paranoia about competition is still very much alive."

Despite Microsoft's disclosure about its ARM tablet, Intel won a battle last month when HP decided not to use ARM chips in a new tablet and server. But HP officials say they still may use that chip in other tablets and servers. In addition, Dell, which has said it is considering using Intel's competitor in servers, also may use the chip in tablets, according to a recent note by JPMorgan analysts, adding "there is a high likelihood" Apple will use ARM in its laptops.

Dell and Apple declined to comment.

Intel supplies the vast majority of processors in PCs and servers, a dominance that has grown in recent years since the other x86 supplier - Advanced Micro Devices of Sunnyvale, Calif. - has struggled. So analysts say device-makers are eager to find another chip source in hopes the competition keeps prices low. Mercury Research analyst Dean McCarron suspects the current explorations of ARM could be just the beginning.

"What we're looking at right now are toe-in-the-water kinds of experiments," he said. But for Intel, "the stage is being set for some potential market-share erosion."

ARM's energy-efficient chips traditionally have offered better battery life than the x86 variety, with the latter providing greater computing power. But with ARM developing increasingly powerful chips and Intel cutting its processors' energy consumption, those differences are beginning to diminish.

Stores already are filling with laptops, tablets, e-readers, ultrabooks,

"sleekbooks," "ultrathins" and other gadgets outfitted with Intel chips in some models and ARM in others, which could prove a challenge for the buying public, according to JPMorgan. "We think the consumer could be confused," its note concluded.

That may be true in the short term, said Linley Gwennap, an analyst with the Linley Group. But ultimately, he said, tech-hungry shoppers will benefit. As device-makers take advantage of the growing microprocessor competition, he said, "that's going to help drive prices down and create more choices for consumers."

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