Brand Doctor

Brand Check-up

Intel

As of September 24, 2024

Status: Bleeding

Intel still owns one of tech's best-known ingredient brands, but the chips and factories behind the logo lost their lead, and the market has marked the company down.

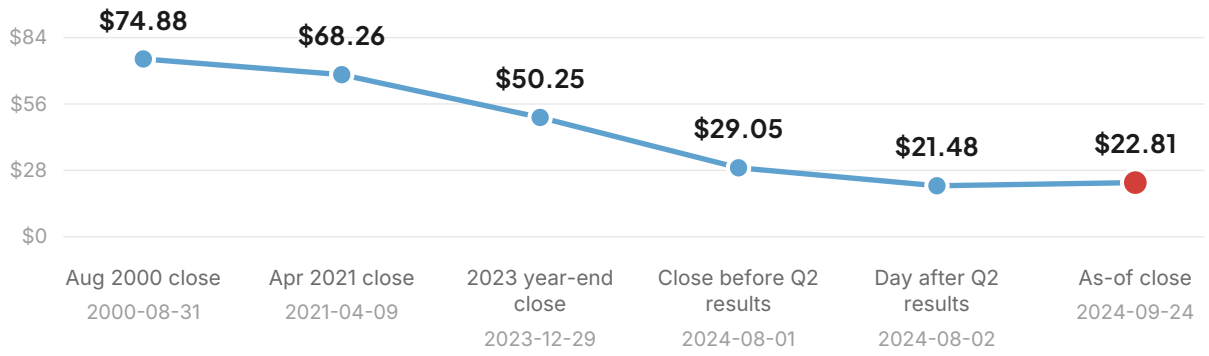
About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on September 24, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

Vital signs

Share price

USD, at the dates shown [3, 2]



Share price

$22.81

Close, September 24, 2024 [3]

Change in 2024

-55%

From the $50.25 close on Dec. 29, 2023; about 70% below the $74.88 close on Aug. 31, 2000 [3]

Market value

About $98 billion

Estimate: Sept. 24 close × 4,276 million shares outstanding (July 26, 2024); peak was $509 billion in Aug. 2000 [3, 4, 5]

Revenue, 2023

$54.2 billion

Down 14% from $63.1 billion in 2022; Q2 2024 revenue $12.8 billion, down 1% [13, 1]

Intel Foundry operating loss

$2.83 billion

Q2 2024, vs $1.87 billion a year earlier; $7 billion for 2023 [1, 8]

Worst day since 1974

-26%

Aug. 2, 2024: $29.05 to $21.48; more than $30 billion of market value lost [3, 2]

Timeline

1991 — Intel launches the Intel Inside program, subsidizing PC makers that carry the logo, with an initial investment of $250 million. [6]

2000–08 — Intel's market value peaks at $509 billion; the shares close at $74.88 on August 31. [5, 3]

2017 — In talks during 2017 and 2018, Intel considers buying a 15% stake in OpenAI for $1 billion in cash and decides against it, Reuters later reports. [9]

2021–03–23 — Pat Gelsinger announces IDM 2.0, a new Intel Foundry Services unit and an estimated $20 billion for two new factories in Arizona. [7]

2024–04–02 — Under new segment reporting, Intel Foundry shows a $7 billion operating loss for 2023 on $18.9 billion in sales. [8]

2024–07 — Intel says elevated operating voltage is causing instability in some 13th and 14th Gen desktop processors; it then extends their warranties by two years. [12]

2024–08–01 — Second-quarter revenue falls 1% to $12.8 billion; Intel suspends its dividend from the fourth quarter and plans to cut headcount by more than 15%. [1]

2024–08–02 — Shares fall 26% to $21.48, Intel's worst day since 1974, erasing more than $30 billion in market value. [2, 3]

2024–09–16 — Gelsinger says Intel plans to make Intel Foundry an independent subsidiary, announces AWS chip deals and pauses projects in Poland and Germany by about two years. [10]

2024–09–20 — The Wall Street Journal reports that Qualcomm has approached Intel about a possible takeover, and a source confirms the approach to Reuters; no formal offer has been made. [11]

Symptoms

- Shares closed at $22.81 on September 24, 2024, about 55% below the 2023 year-end close.
- Revenue fell 14% in 2023 to $54.2 billion, and second-quarter 2024 revenue slipped 1%.
- Intel Foundry lost $7 billion in 2023 and $2.83 billion in the second quarter of 2024.
- The dividend is suspended from the fourth quarter and about 15,000 jobs are being cut.
- Some 13th and 14th Gen desktop processors became unstable, and Intel extended their warranties by two years.

Diagnosis

1 The proof behind the logo slipped

Intel Inside was built to tell buyers that their devices held quality parts from the company that defined the state of the art. Intel now speaks of launching Intel 18A next year to regain process technology leadership, and instability in some 13th and 14th Gen desktop processors led it to extend warranties by two years. [6, 1, 12]

2 Late to the AI demand shift

Reuters reported that Intel discussed buying a 15% stake in OpenAI for $1 billion in 2017 and 2018 and decided against it. Analysts expect Nvidia’s data centre revenue to reach $105.9 billion this year against $13.89 billion for Intel’s whole data centre business, and Intel’s Data Center and AI revenue fell 3% in the second quarter. [9, 1]

3 A costly foundry bet on one balance sheet

IDM 2.0, launched in March 2021, added a foundry business and an estimated $20 billion for two Arizona factories. Intel Foundry lost $7 billion in 2023 and $2.83 billion in the second quarter of 2024. In September Intel moved to make it an independent subsidiary and paused projects in Poland and Germany. [7, 8, 1, 10]

Diagnosis, continued

4 Investor trust spent faster than it was earned

Three years after Gelsinger called IDM 2.0 “a winning formula,” Intel said second-half trends were more challenging than it had expected and suspended its dividend. The shares fell 26% in a day, and a Bernstein analyst said Intel’s issues were approaching the existential. [7, 1, 2]

Prognosis

As of September 24, 2024, Intel is weakened but still large, with $54.2 billion in 2023 revenue, a new chip deal with Amazon Web Services and up to $3 billion in CHIPS Act funding for the Secure Enclave program. The plan depends on Intel 18A arriving next year and on outside customers trusting Intel Foundry enough to commit volume. What to watch: third-quarter results against guidance of $12.5 billion to $13.5 billion in revenue, the job-cut notices due in mid-October, any formal offer from Qualcomm, and whether the fix for desktop processor instability restores confidence among PC buyers and builders.

Treatment

- Lead every message about the 13th and 14th Gen fix with plain facts on what failed, what is covered and what owners should do.
- Give Intel Foundry its own governance and customer promise so outside chip designers can trust it as a supplier, as the September subsidiary plan begins to do.
- Narrow the AI message to the jobs Intel can win now, such as AI PCs and specific data centre workloads, and back each claim with shipped product.
- Keep product names stable for several years so the Intel Inside logo points to a lineup buyers can learn and compare.

Lessons for growing companies

A brand is only as strong as its proof

Intel Inside worked because buyers trusted what was inside. Keep investing in the thing your brand promises, or the promise stops paying.

Test where demand is heading

Intel's then chief executive reportedly doubted an early AI investment would pay back in time. Set aside a small budget to test the markets that look too early today.

Promise what you can show

Big strategy claims raise the cost of every miss. Share milestones that customers and investors can check, then hit them.

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About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

$30M+	135+	8×	17
In marketing spend managed	Campaigns treated	Growth achieved	Years in marketing

Find out where your marketing is bleeding.

Brand Doctor runs the same check-up on your marketing. Book a free diagnosis at brandmd.ca/contact.

Book your free diagnosis