

Intel eats its vegetables

Reorganization at the world's largest chip maker results in a healthy move.

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As old folks in the United States, Japan, and Western Europe ripen, demand will increase for personal health electronic equipment such as blood pressure monitors, diabetes monitors, and personal defibrillators. The world's largest chipmaker announced today it wants its microprocessors in those devices. "Certainly, healthcare is one of the largest segments of the economy and we see a great deal of opportunities there," said Intel spokesman Tom Beerman.

The announcement was part of a company-wide restructuring that divided Intel into five groups, and reflects a broader trend toward organizing companies based on end users and not products.

The Santa Clara, California company has eyed healthcare for almost two years, said Nathan Brookwood, an analyst with market research company Insight 64. It wants to be at the forefront of this technology because only a small number of startups and software companies have entered this area, he said. Intel has introduced healthcare at many of its events and developer forums, including comments by CEO Craig Barrett at the recent CES show in Las Vegas. In 2003, the Alzheimer's Association and Intel formed a consortium to fund more than \$1 million of research to develop technologies for the home in helping Alzheimer's patients.

Staking out a piece of the healthcare market was part of a larger corporate restructuring that divides the company into five business units. In addition to the new healthcare group, Intel is also launching a new channel products group, aimed at streamlining distribution. Three other product groups were reorganized and named the mobility group, the digital enterprise group, and the digital home group. Intel's revenues in 2004 were \$34.2 billion.

Analysts said the reorganization marks a corporate trend toward organizing businesses with the end market in mind, as opposed to distribution along product lines. "It's formalizing what they have been doing for a while; they are focusing on providing a total systems solution," said Tony Massimini, an analyst with Semico Research Corporation.

The new focus at Intel "might make them more responsive and in doing so make them more efficient as a company," said Brian Matas, vice president of market research at IC Insight. However, it will be a while before the company will start reaping any benefits in terms of sales, he added. The move will also make it easier to spin off maturing business segments.

Joseph Byrne, a Gartner research analyst, said the heads of each group are strong leaders. The mobility group, which will develop platforms for notebook PCs and handheld computing and communications devices, will be headed by Sean Maloney and Dadi Perlmutter. The digital enterprise group, which will develop computing and communications infrastructure platforms for businesses, will be led by Pat Gelsinger and Abhi Talwalkar. Don MacDonald will lead the digital home group.

Louis Burns will head the digital healthcare group, which will develop products and explore business opportunities in healthcare research, diagnostics, productivity and personal healthcare. Bill Siu will head the channel products group, which will help Intel serve its worldwide distribution channel.

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