



Tech firms shift focus to 'packages'

By Michelle Kessler, USA TODAY

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Intel, Hewlett-Packard and other tech companies are reorganizing to focus workers on groups of products that customers usually buy together. Intel, the No. 1 chipmaker, on Monday said that it is creating five groups organized around end markets: business computing, home electronics, mobile devices, health care products and international resellers. It is shedding internal divisions based around types of chips, such as computer processors. No layoffs are planned, spokesman Tom Beermann says.

The change will help Intel, which has stumbled with product missteps in the past year, better serve customers, Beermann says. It also sets the stage for Intel President Paul Otellini, who takes over as CEO in May. Under the former structure, engineers working on chips for one laptop might be in several divisions. Now, they're all in the same group.

"It makes sense," says PC analyst Roger Kay at researcher IDC.

Similar shifts are underway at other tech firms that are trying to woo customers after tough times:

- Computer maker Hewlett-Packard combined its PC and printer divisions last week, linking two products that are usually purchased together. Last year, it combined its similarly linked business consulting and back-end business computer units.
- Motorola, a maker of cell phones and communications gear, used to lump everything from batteries to automotive electronics into one division. It eliminated that division this month and revised others, leaving four customer-centric units — personal devices, government and business, professional networking equipment and consumer networking equipment.
- AOL in November split into four units focused on different customer groups — Internet connections, consumer Web services, back-end business services and AOL Europe.

These changes come as the tech industry emphasizes packages — often called "solutions" — instead of individual products.

Before the bust of 2000, tech firms were often organized by technology. A processor works differently from a memory chip, for example, so it made sense for their designers to be in different groups.

That worked well when getting products to market fast was key. It still works best for fast-developing technologies, independent tech analyst Rob Enderle says.

But in more mature markets, products can't just work — they have to work well together, Enderle says. Thus, a new focus on solutions sprang out of the bust. Software maker Oracle, for example, touts solutions combining its database and other business software. Rival SAP pitches its own solutions.

A focus on complete offerings can help tech firms focus on what customers want, says chip analyst Tony Massimini of Semico Research. But it can't overcome lackluster offerings, he says. In the end, "You still have to deliver products to customers," he says.