Title: A Strategic Plan for Advanced Micro Devices PC Microprocessor Division

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Abstract: This is a strategic analysis with recommendations for Advanced Micro Devices (AMD).

A Strategic Plan for Advanced Micro Devises
PC Microprocessor Division

K. Brindley, S. Hymas, D. Mason, C. Wu

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References

AMD 1995 Annual Report
http://www.amd.com/about/shareholder.html access date 4/25/97

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AMD's Purpose, Vision, Mission, and Values
http://www.amd.com/about/mission.html

Howard, Bill. 1997. What's the best CPU?. PC Magazine. June 10. p95.

A Strategic Plan for Advanced Micro Devices
PC Microprocessor Division

Developed by Panther Planners Consultants
June 3, 1997

for

EMGT525 Strategic Planning
Dr. Milosevic

by

Kathleen Brindley
Scott Hymas
Don Mason
Carl Wu

Critical Issues

Acceptance: Acceptance of AMD chip designs as equal to Intel chips in the PC industry.

Manufacturing Ramp 6K-MMX chips: This is one of the most successful products to date from AMD. It will only remain successful if AMD can supply the demand. The ramp of manufacturing volumes to meet demand is critical. This product may become the cash cow for other products and R&D.

Cash Flow: Electronic device fab facility and manufacturing development are an enormous drain of capital and expense resources. A strong financial position is necessary to create future products and to building capacity for present products.

Competitive future chip development: The future AMD PC microprocessors will have to be competitive with future Intel chips. This means pushing process technology to get good yields in the 0.18 micron process and going past the 0.18 micron mark to beat Intel in high speed and low power PC microchips.

Time to Market: AMD constantly lags behind Intel in chip release, and new chip projects have constantly been behind schedule. The K5 chip was a perfect example. AMD cannot hope to be competitive unless new chips catch the market surge for the product.

Manufacturing Capacity: AMD will continue to enjoy only a small percent of the market share so long as it cannot produce sufficient volumes of product to grab a larger percent of the market. Increasing overall manufacturing capacity is necessary to accomplish this.

Current Strategy

- Provide superior PC microprocessors at competitive costs, and industry standard PC microprocessors at lower costs. (paraphrased from AMD Value Proposition)
- Develop leading edge process (manufacturing) technology
- Maintain % market share

business, where the company has overcome legal obstacles to produce its own versions of the wildly popular Am386® and Am486® microprocessors.

In 1995 AMD released the K5, which was perceived as a substantial threat to the Intel market dominance of microprocessors. However, production delays, endured that the K5 was too late to inflict any sizable dent in Intel's market share.

Mission Statement

Provide solutions for windows-compatible, networked, multimedia, desktop personal computers.

Current Situation May, 1997:

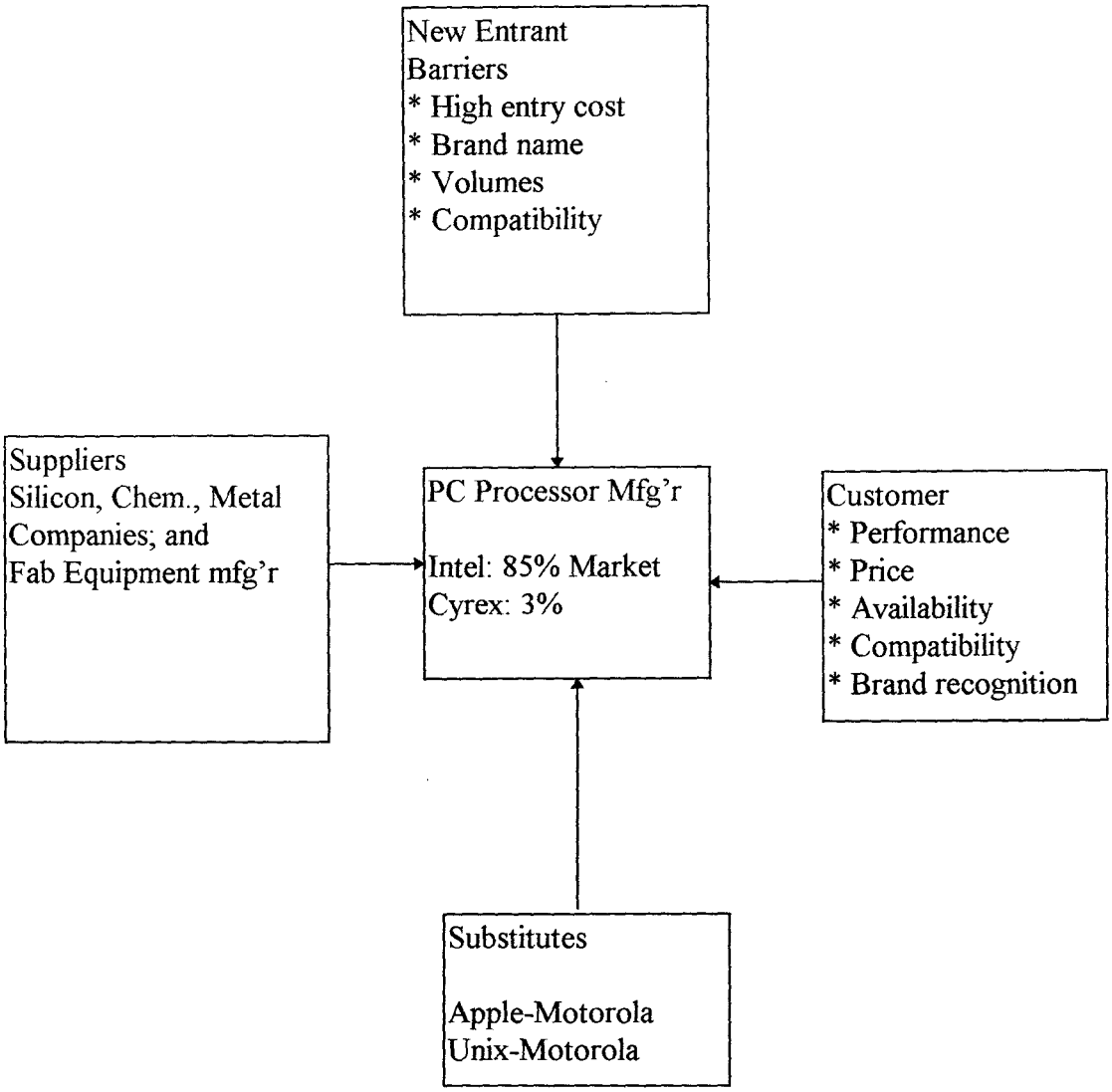
AMD is the second largest supplier of microprocessors for the personal computer industry, holding an 8% market share against Intel, the dominant player. AMD has leading edge manufacturing facilities and competitive designs but has been hurt by time to market problems and a lack of brand name recognition.

AMD's acquisition of NexGen last year provided it with a competitive design (Nx686) enabling them to go head to head against Intel's best chip, the Pentium Pro. An article titled "What's the best CPU?" in the June 10, 1997 edition of PC magazine sets the stage for AMD to attack Intel, the market leader. The article states "K6 is competitive with anything Intel ships currently--including the Pentium II." "for now, K6 could be your best bet for the highest performance at a reasonable price. This is the most credible challenge we've seen to Intel hegemony since the early days of the PC".

Vision Statement:

AMD is now the leading supplier of microprocessors for the personal computer industry, holding a 53% market share. AMD's designs are superior to those of Intel, their closest competitor who holds a 40% market share. The breakthrough technologies provided by AMD over the last several years have made AMD microprocessors the chip of choice among sophisticated computer users. This has led to a widespread acceptance of AMD as a preferred brand. "Intel inside" no longer indicates a superior product. AMD's production volumes are high, and continue to expand due to their increased market share and the overall industry growth rate of 17% per year.

Industry Key Success Factors Analysis



Existing Competitors: Intel is AMD's number one competitor and holds more than 80% of the microprocessor market. Intel is the leader not only in market share, but also in technology development and manufacturing capacity. Intel's strong marketing strategy and product R&D established its leadership position in the PC and computing industry. However, its product performance and cost are weak compared to AMD.

Customers: AMD won't be successful in the market without their direct customers, the PC industry manufacturers, and their secondary customers, the PC consumers. AMD's customers require a steady supply of chips and innovation in new chips.

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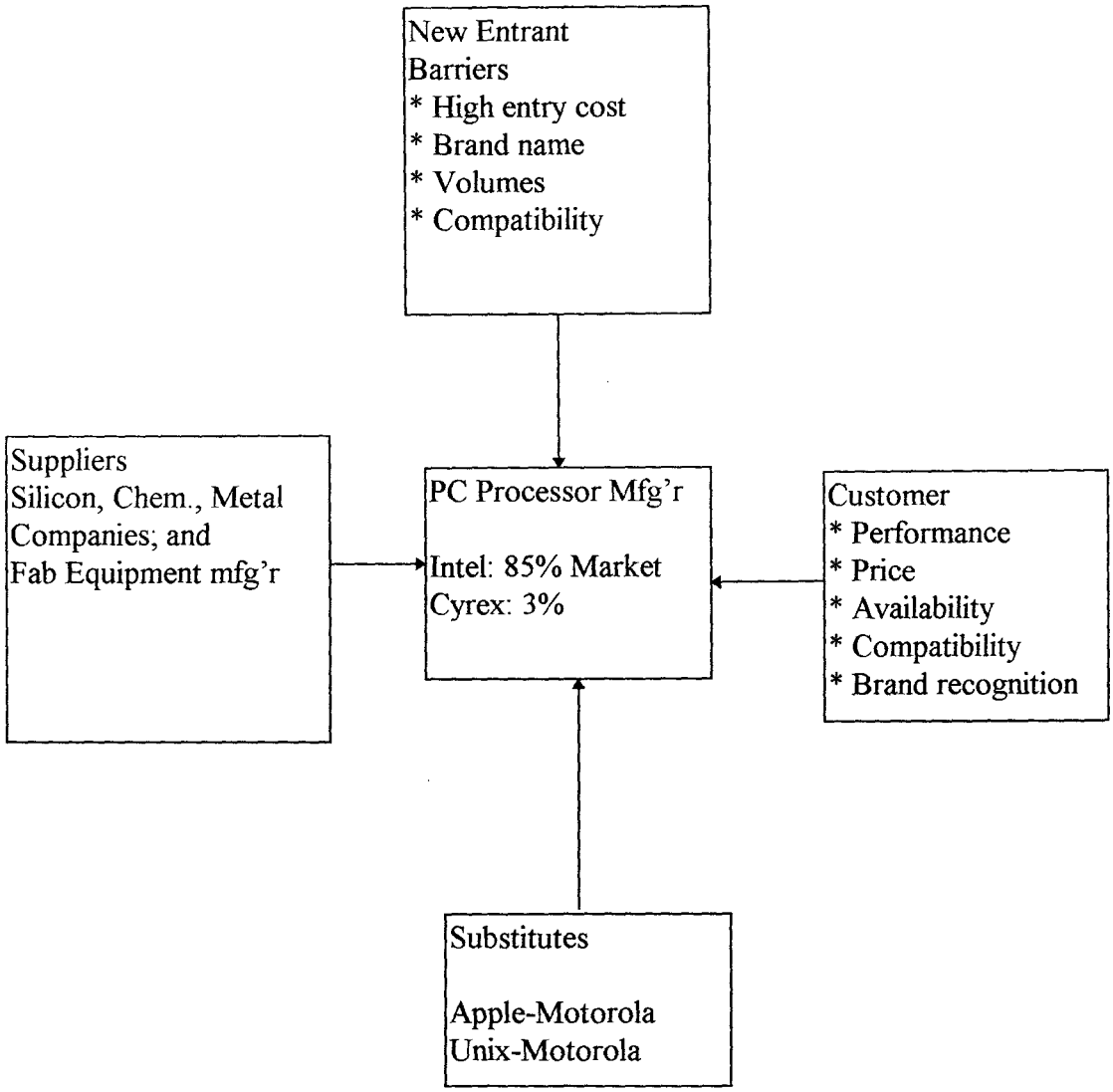

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